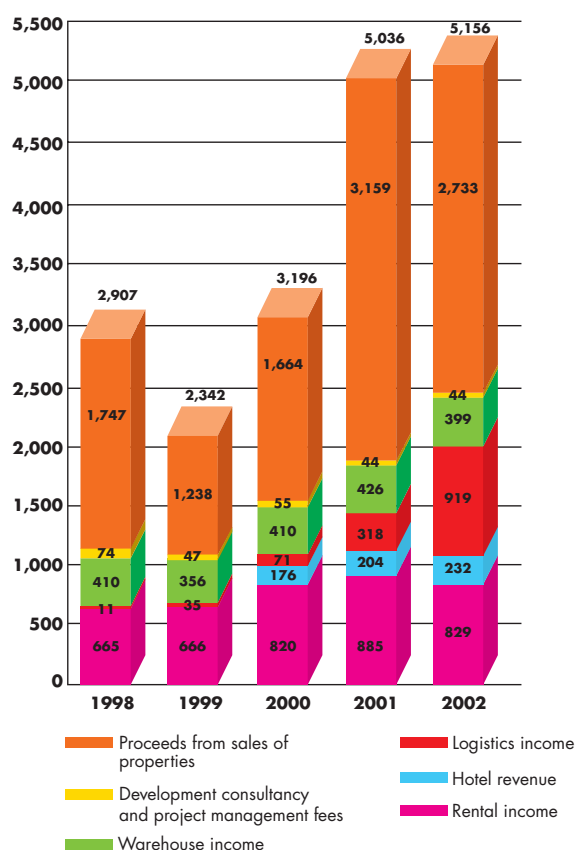


Financial Review

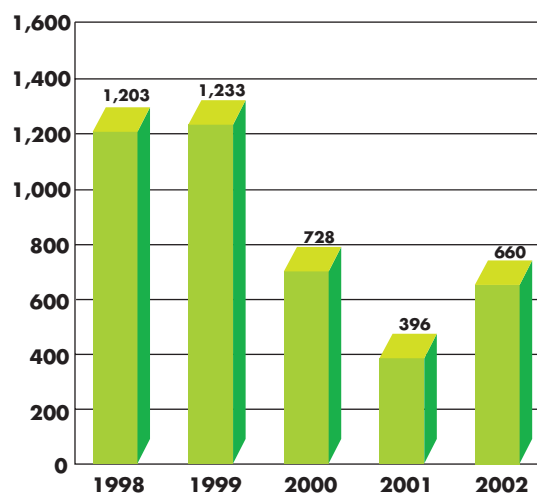
TURNOVER

Turnover for the Group for the year ended 31 December 2002 increased by 2% to HK\$5,156 million (2001: HK\$5,036 million). Turnover from both rental and sales of properties decreased during the year whilst logistics and hotel income have increased. Gross property sales income decreased from HK\$3,159 million in 2001 to HK\$2,733 million in 2002. Property and warehouse rental income have also decreased to HK\$829 million (2001: HK\$885 million) and HK\$399 million (2001: HK\$426 million), respectively, whilst income from logistics increased to HK\$919 million (2001: HK\$318 million). The Group's hotel operations contributed HK\$232 million to turnover during the year (2001: HK\$204 million).

BREAKDOWN OF KPL'S TOTAL TURNOVER HK\$ MILLION



PROFIT ATTRIBUTABLE TO SHAREHOLDERS HK\$ MILLION

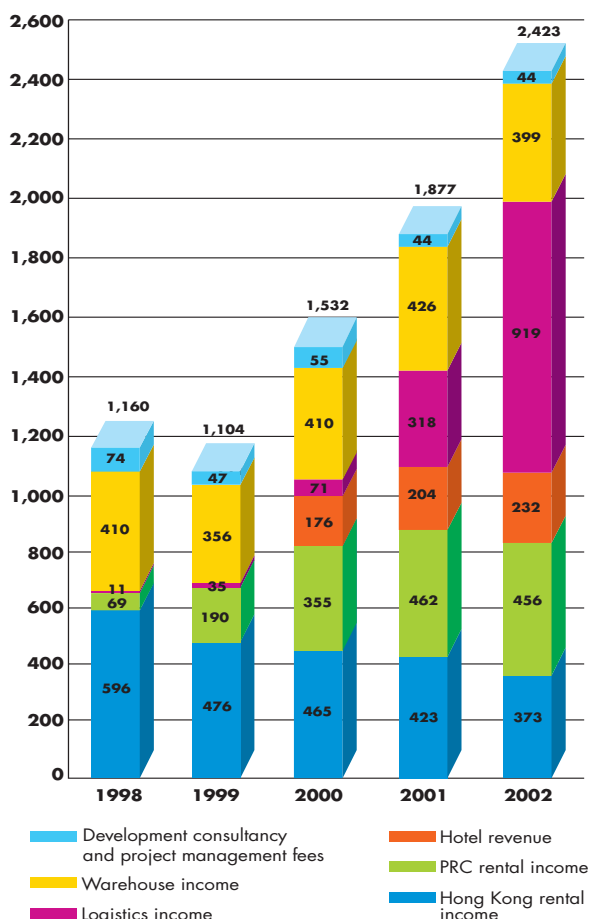


PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders increased by 67% to HK\$660 million compared with HK\$396 million achieved in 2001. Profits were achieved from the sales of Jupiter Terrace and Enterprise Square 2 in Hong Kong and Central Residences in Shanghai. In addition to the HK\$360 million provision made in 2001 for the Constellation Cove project, an additional provision of HK\$266 million was made in 2002 for this project in view of the continuing uncertainty in the property market. The Group's 75% share of this additional provision amounted to approximately HK\$200 million.

KPL'S RECURRENT INCOME BASE

HK\$ MILLION



FUNDING AND FINANCING

In order to achieve better control of treasury operations and lower the average cost of funds, KPL has centralised funding for all its operations at the Group level. Financing is generally arranged at the Group level where foreign exchange exposure will also be reviewed and monitored. The Group considers that foreign exchange exposure does not pose a significant risk given that the level of foreign currency exposure is small relative to its total asset base. During the year, the Group redeemed all the outstanding US\$ convertible bonds with a principal value of US\$197.18 million. US\$ borrowings as at 31 December 2002 has therefore been reduced to US\$20 million. As at 31 December 2002, total foreign currency borrowings excluding Renminbi

(RMB) borrowings amounted to approximately HK\$204 million. RMB loans at the year end amounted to RMB510.5 million and are used to finance the Group's projects in the PRC.

In January 2002, the Group signed a 5 year unsecured syndicated loan facility amounting to HK\$4,500 million. This loan was used to refinance an existing HK\$4,205 million syndicated loan which pays a higher interest margin. Total commitments of HK\$7,150 million were received from the banks for this facility but the Group decided to maintain the facility amount at HK\$4,500 million.

The facility was self-arranged by the Group. The successful completion of the syndicated loan is evidence of the strong support for the Group amongst the banking community and the great confidence of the banks in its strong credit quality.

With this new financing and the redemption of the convertible bonds, the Group has successfully extended the maturity profile of its debts whilst at the same time lowered its borrowing costs.

The majority of the Group's borrowings are subject to floating interest rates. As at 31 December 2002, the Group had outstanding interest rate swap contracts amounting to HK\$3.76 billion in total, enabling the Group to hedge its interest rate exposure in the current low interest environment and to have a more stable interest rate profile over the next few years. A summary of the outstanding interest rate swap contracts at the year end is as follows:

Period	Duration	Notional Amount HK\$M	Average HIBOR Fixed Rate %
From 10/2001 to 10/2004	3 years	2,200	3.7145
From 9/2002 to 9/2005	3 years	1,560	5.1025
		<u>3,760</u>	

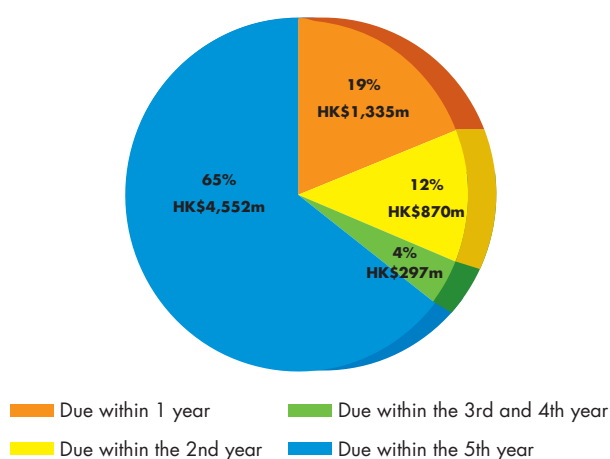
Total borrowings amounted to HK\$7.1 billion at 31 December 2002. Approximately 19% of this debt is repayable within one year. At 31 December 2002, the Group had total undrawn bank loan facilities of approximately HK\$6.2 billion and net cash on hand of approximately HK\$1.4 billion. These available cash resources together with the strong recurring cashflows from the Group's core investment property portfolio and the anticipated cash inflows from the sale of properties in the coming year will enable the Group to be in a strong financial position to take advantage of new attractive investment opportunities that may arise.

The Group is continually reviewing its financing requirements and will consider any unsecured bank financing and/or secured project financing as and when the need arises. Whenever possible, the Group intends to always obtain financing on a fully unsecured basis. During the year, the Group continued to maintain most of its borrowings on an unsecured basis. As at 31 December 2002, unsecured debt comprised approximately 91% of total borrowings.

In order to refinance existing facilities, finance developments and pay for new investments, the Group had made drawdowns on new loans amounting to approximately HK\$6.7 billion during the year. Loan repayments during the year amounted to approximately HK\$7.3 billion, resulting in net repayments amounting to approximately HK\$0.6 billion in 2002.

At the year end, total net borrowings amounted to HK\$5,633 million resulting in a gearing ratio of approximately 27%. The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its borrowings as appropriate.

PROFILE OF KPL'S BORROWINGS AT THE YEAR END – BY MATURITY



PROFILE OF KPL'S BORROWINGS AT THE YEAR END – BY SECURITY

