

Hong Kong Property Division

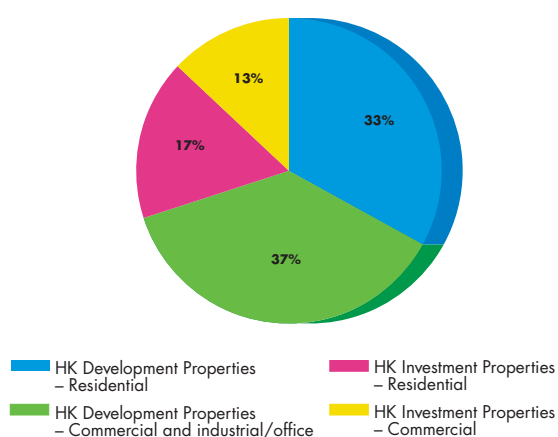
The Hong Kong economy and the property market continued to be weak during 2002. Being confident of the long term prospects of the property market, the Group has taken the opportunity to replenish its landbank during the year. The Group will continue to focus on developing quality property projects with innovative designs incorporating the latest high tech features and facilities with value-added services to improve the quality of living for its buyers and tenants.

SALES OF PROPERTIES

Total gross proceeds from sales of properties in Hong Kong amounted to HK\$2,332 million in 2002 (2001: HK\$2,387 million), mainly derived from the sales of Jupiter Terrace, Constellation Cove, Ocean Pointe and Enterprise Square 2 during the year.

of the development was sold within one month of its public sale in January 2002. At the year end, all residential units, commercial spaces and carpark spaces were sold.

HONG KONG PROPERTY PORTFOLIO BY GROSS FLOOR AREA ("GFA")



The Group commenced the public sales of the apartment blocks, duplex villas and detached houses in Constellation Cove, Tai Po Kau in March 2002. To promote the development, the Group held a series of sales campaigns to market the units and provided buyers with various attractive payment packages as incentives for purchasing the units. The sale of Constellation Cove is expected to benefit from the opening up of the Shenzhen border on a twenty four hour basis effective from January 2003 due to its central location between the border and the city. The Group will continue to sell the remaining units in the development during the coming year.

Jupiter Terrace, a property in North Point which the Group acquired in December 2001, consists of 188 units with sizes of 628 and 738 square feet. Sales of the property received an enthusiastic response from the public when launched and approximately 86%

During the year, the Group also continued with the sales of Enterprise Square 2 and Ocean Pointe. Enterprise Square 2 is a 27 storey industrial/office building in Kowloon Bay and all units were sold as at 31 December 2002. At 31 December 2002, Ocean Pointe, the Group's residential project in Sham Tseng was approximately 98% sold.

REVIEW OF OPERATIONS

The presale consent for The Cliveden in Tsuen Wan, a low-density luxury residential development 50% owned by the Group, was obtained in August 2002 with the public sales of the development commencing in November 2002. Construction of the structural frame for the apartment blocks and carpark podium of The Cliveden are in progress. As at 31 December 2002, approximately 31% of the development had been presold.

The Cliveden comprises 9 residential towers of 10 storeys with 210 units and sizes of apartments range from approximately 900 square feet to 1,500 square feet. All apartments have 3 bedrooms with a private balcony, ensuite master bedroom, plus a maid's room or multi-purpose room. The 50,000 square feet luxury clubhouse offers a wide variety of facilities to its



Constellation Cove, Tai Po

residents whilst extensive greenery landscaping is also being incorporated into the overall design. The development is expected to be completed in December 2003.

Sales of the Group's joint venture developments are also progressing well with approximately 92% and 85% of Phases 1 and 2 of the Tai Kok Tsui project being sold, respectively, as at 31 December 2002.



Night view of swimming pool at Constellation Cove



Living room of The Cliveden, Tsuen Wan

INVESTMENT PROPERTIES

Gross rental revenue from investment properties in 2002 amounted to HK\$373 million (2001: HK\$423 million).

Notwithstanding difficult conditions in the Hong Kong leasing market, the Group has managed to maintain a high average occupancy rate of approximately 97% for its luxury residential portfolio, including Aigburth, Branksome, Tavistock, Tregunter Towers 1 and 2 and Gladdon in Mid-Levels and Belgravia in South Bay. The commercial and retail properties are also performing satisfactorily with occupancy rates standing at 96% and 97%, respectively, as at 31 December 2002.

Olympian City 1 and 2, the commercial podiums of Phases 1 and 2 of the Tai Kok Tsui project, are also leasing well with occupancy rates of 87% and 92%, respectively, as at 31 December 2002. The Tai Kok Tsui project is a mixed-use development conveniently located next to the Olympic MTR Station.

Apart from the good locations and top quality designs of the Group's investment properties, the Group also attracts and retains tenants by providing a full range of comprehensive property management services to

its residents through its wholly owned subsidiary, Kerry Property Management Services Limited. The Group also incorporates high-tech security features and advanced recreational facilities in its properties for the enjoyment of its tenants and employs well-trained and experienced property management staff to serve its residents.

PROPERTIES UNDER DEVELOPMENT

Construction of the garden duplex floor in Branksome II, the Group's newest luxury development in the Mid-Levels, is currently in progress. The development, with a buildable gross floor area of approximately 143,000 square feet, is a 34 storey luxury residential building on top of a carpark and recreation podium. It will provide a total of 64 units, including 2 garden duplexes, 60 typical units, 1 private pool simplex and 1 penthouse duplex with a private swimming pool on the roof. The development is due for completion in the first quarter of 2004 and is intended to be retained for lease to further strengthen the Group's investment property portfolio.



The site of The Cliveden, Tsuen Wan



The site of Branksome II, Tregunter Path, Mid-Levels

Strategically located adjacent to Enterprise Square and Enterprise Square 2 in Kowloon Bay, construction of Enterprise Square 3 is currently in progress. The development is intended to be a 35 storey office tower built over a 5 storey carpark podium. Gross floor area of the development is approximately 554,000 square feet. The development has been designed and constructed with high-tech capability and intelligent features, including raised-floor systems for installation of computer networks. It is expected to be completed by the first quarter of 2004.

Subsequent to the year end, in January 2003 the land premium negotiations for the conversion of Enterprise Square 3 from industrial/office use to business use was concluded for an amount of HK\$12 million or approximately HK\$20 per square foot.

On 27 June 2002, a consortium formed by the Group and Sino Land Company Limited won the tender for the Tseung Kwan O Hang Hau Station Development with the MTR Corporation Limited. The Group owns a 40% interest in the development. Master layout plans of the development have been approved. The development occupies a total site area of approximately 200,000 square feet with a buildable area of approximately 1.5 million square feet. There will be 6 residential towers with a landscaped podium and clubhouse with approximately 2,100 residential units. The apartments will comprise of 2 to 4 bedrooms units. The development is expected to be completed in the first quarter of 2005.



Enterprise Square 3, Kowloon Bay



Proposed Hang Hau Station development, Tseung Kwan O

Similar to Enterprise Square 3, the industrial/office site, NKIL 5927, in Kowloon Bay has been rezoned to business use under the Outline Zoning Plan gazetted on 19 January 2001 and is planned to be developed into Enterprise Square 5. With Enterprise Square 5 in situ, the Enterprise Square developments will become a cluster of quality offices and retail complexes to be amongst the best available grade A office properties in Kowloon Bay. Major consultants of Enterprise Square 5 have been appointed and conceptual design is in its final stage. The development would provide approximately 1.6 million square feet of commercial space when completed. The Group intends to retain this property as a long term investment property for its rental portfolio when it is completed.

The Town Planning Board confirmed the Residential Zoning for Ap Lei Chau Inland Lot No. 129. The Group acquired this site in August 1999 and has a 35% interest in the development with its share of gross floor area being 319,663 square feet. This site is intended to be developed into a residential project.

The Group acquired an industrial property, Chung Nam Industrial Building at 152-160 Kwok Shui Road in Tsuen Wan, for approximately HK\$120 million in May 2002. The property has a site area of approximately 40,000 square feet and a potential buildable gross floor area of approximately 200,000 square feet. It is envisaged that an adjacent site with a site area of approximately 50,000 square feet could be enjoined as part of this development which will increase the gross floor area by approximately 250,000 square feet. The initial plan of the development will comprise high rise apartment blocks with a carpark and recreation podium and commercial spaces. The property also enjoys the convenience of good transportation facilities with the Tai Wo Hau MTR station in close proximity.

In September 2002, the Group announced that it has decided not to proceed with the Hoh Fuk Tong Redevelopment Project located at Tuen Mun Town Lot No. 117.



The construction of Enterprise Square 3 in progress with the site of Enterprise Square 5 in the foreground outlined in red in Kowloon Bay

The Group won the tender for 15 Ho Man Tin Hill Road in Kowloon for approximately HK\$410 million in December 2002. The total development cost is estimated to be approximately HK\$700 million. The property has a site area of approximately 26,000 square feet and a buildable residential floor area of approximately 130,000 square feet. Conceptual plans and designs are currently in progress and it is anticipated that the site will be developed into a luxury high rise residential building with approximately 80 apartments. The proposed development is strategically located at the well

established luxury residential area of Ho Man Tin Hill and is expected to be completed by the first quarter of 2006.

The Group's total property portfolio in Hong Kong is approximately 5.9 million square feet. The gross asset value of the Group's properties in Hong Kong was approximately HK\$13,760 million (2001: HK\$16,453 million) as at 31 December 2002 comprising HK\$9,758 million (2001: HK\$12,121 million) and HK\$4,002 million (2001: HK\$4,332 million) of residential and commercial properties, respectively.