



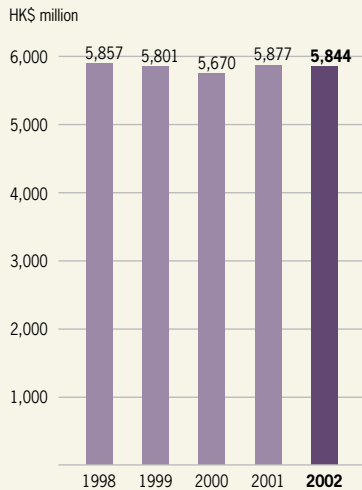
PROPERTY INVESTMENT

The Group maintains an optimal tenant mix in its investment property portfolio, and strives to raise the standard of customer and tenant service. Aiming to be the landlord of first choice, the Group offers tenants comprehensive facilities, ultra-modern intelligent designs and top-quality customer service.

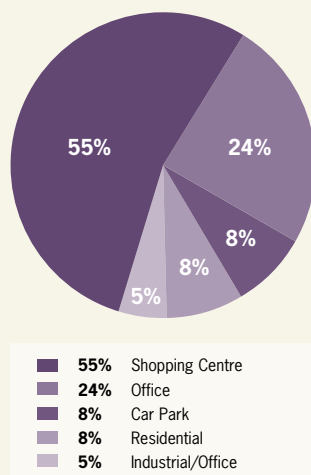
International Finance Centre, Central

REVIEW OF OPERATIONS – PROPERTY INVESTMENT

Gross Rental Income*



Gross Rental Income* by Sector



* Including contributions from jointly-controlled entities and associates

The Group's rental portfolio continued to perform well during the year under review, despite a difficult time in the leasing market. Occupancy of the Group's 19.3 million square-foot investment portfolio in Hong Kong remained satisfactory at 92 per cent. Including contributions from jointly-controlled entities and associates, gross rental income was HK\$5,844 million, compared to HK\$5,877 million last year. Net rental income rose modestly to HK\$4,432 million from HK\$4,401 million. The slight increase in operating margin was due mainly to improved efficiency and cost controls.

During the period under review, the Group created a new 'Signature Homes' brand to handle leasing of all its luxury residential developments. This was done to strengthen the Group's market-leading position further and improve rental values. Signature Homes offers tenants one-stop leasing convenience, with six-star service and special privileges from the Group's hotels. This makes its luxury residential portfolio the first choice for accommodation among senior executives of multinationals.

With the timing of a global economic recovery uncertain, the leasing market in Hong Kong is expected to remain generally soft. At the same time, while retail leasing is likely to be challenging in the coming year, higher two-way traffic between the Mainland and Hong Kong will continue to benefit the Group's shopping centres along the railway network.

Over the short term, the grade A office market in Hong Kong will continue to face a difficult economic environment due to slower growth worldwide. However, over the medium to longer term, the demand for top-quality office space is likely to increase as a result of the further opening up of the Mainland market and Hong Kong's status as an international finance and business centre. The Group will continue to upgrade its investment portfolio and add value by incorporating the latest technology and modern facilities in its properties, as well as carrying out regular renovations.

The Group will continue to monitor the market and needs of its valued tenants closely to ensure that occupancy is maintained at a satisfactory level.

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The Group will also consider the disposal of some non-core properties to maintain an optimal portfolio mix, while maintaining a solid base for long-term growth by developing quality new rental properties. To illustrate, the Group recently disposed of its 25 per cent stakes in two commercial complexes in the New Territories, realizing a respectable return.

The Group's current investment portfolio in Hong Kong, including its attributable share of jointly-controlled entities is as follows:

Status and Usage

	Attributable Gross Floor Area (million square feet)					Total
	Residential	Shopping Centre	Office	Hotel	Industrial/Office	
Completed	1.0	7.7	5.9	0.9	3.8	19.3
Under Development	–	1.7	4.5	1.6	–	7.8
Total	1.0	9.4	10.4	2.5	3.8	27.1

COMPLETED INVESTMENT PROPERTIES

Shopping Centres

The Group has the largest network of shopping centres in Hong Kong, with an attributable gross floor area of 7.7 million square feet. The majority of these malls are in new towns, occupied by retail tenants supplying daily

necessities to nearby residents. Prime locations and convenience have kept retail occupancy high, and rents are largely steady in the face of economic fluctuations. The Group's flagship mall, New Town Plaza in Shatin, and its other major shopping centres such as East Point City in Tseung Kwan O and Grand Century Place in Mongkok, remained virtually fully occupied during the year.



Grand Century Place in Mongkok is a popular destination for shoppers of all ages.

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Regular promotions and other initiatives in the Group's major shopping centres, particularly during summer and festive seasons, keep pedestrian flows high. In addition, the Group's malls undergo regular renovations to keep them fresh. Metroplaza recently underwent a carefully-planned facelift, resulting in a better layout and utilization of space, and at the same time, the mall adopted a new colour scheme based on the four seasons. The mall is now virtually fully let, and rents are up. Renovations to New Town Plaza are being planned to strengthen branding and enhance rental values.

Offices

The Group's investment portfolio includes 5.9 million square feet of prime office space. Despite a weak market, occupancy of the Group's offices for rent

remained satisfactory. The Group will continue incorporating the latest technology and sophisticated facilities in its office projects to satisfy the requirements of increasingly demanding tenants.

Residential

The Group owns one million square feet of residential investment property, a large proportion of which is made up of luxury developments like Dynasty Court and Hillsborough Court in Mid-Levels. Leasing of these properties is satisfactory, and they contribute steady rental income to the Group.



Metroplaza in Kwai Fong has a better layout and more efficient use of space after renovation.



The Group's investment properties are showcases for top-quality design, modern facilities and the highest construction standards.

Car Parks

Including its attributable share from jointly-controlled entities, the Group currently owns 26,000 parking bays that generated HK\$472 million in rental income during the year, as compared with HK\$507 million in the previous year. The Group will continue to build car parks attached to its commercial complexes, to enhance the value of its investment property portfolio.

Other Properties

The Group also has 30 cinema houses in its various shopping centres. These help to attract visitors and bring business to tenants. In addition, the Group's rental portfolio includes a number of industrial and godown properties, including data centres. The Group is exploring opportunities to convert some of these to other uses.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

As previously stated, the Group may dispose of some non-core properties while adding quality new rental projects to achieve an optimal mix in its investment property portfolio. To this end, it has some 7.8 million square feet of new investment property, in attributable terms, under development.

Of the investment property under development, retail space will account for 1.7 million square feet, which will be spread across the territory, while another 1.6 million square feet is designated as top-quality hotels and suites. Grade-A office space makes up 4.5 million square feet of the Group's new investment property.

The majority of these developments are landmark projects, including Two International Finance Centre in Central, Airport Railway Kowloon Station Development Packages 5, 6, & 7 and Millennium City in Kowloon East. Details of these projects are included under Property Development on pages 34 – 37.

Major Investment Properties Under Development Include:

Shopping Centres

- Two International Finance Centre
- Shopping centre in Park Central
- Millennium City Phase 5 (418 Kwun Tong Road)
- Shopping centre in Airport Railway Kowloon Station Development Packages 5, 6 & 7
- Shopping centre at Yuen Long Town Lot 504

Offices

- Two International Finance Centre
- Millennium City Phase 3 (370 Kwun Tong Road)
- Millennium City Phase 5 (418 Kwun Tong Road)
- Offices in Airport Railway Kowloon Station Development Packages 5, 6 & 7



The Group's shopping malls feature easy access, strategic locations and comprehensive facilities.



New Town Plaza is one of Hong Kong's most popular shopping malls, due to an optimal tenant mix providing wide choice for customers.

Major Completed Investment Properties

Name	Location
Hong Kong Island	
Sun Hung Kai Centre	30 Harbour Road, Wanchai
World Trade Centre	280 Gloucester Road, Causeway Bay
One International Finance Centre	1 Harbour View Street, Central
Harbour Centre	25 Harbour Road, Wanchai
Central Plaza	18 Harbour Road, Wanchai
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road
Pacific View (Blocks 2 & 3)	38 Tai Tam Road
Hillsborough Court (Block 4)	18 Old Peak Road
Kowloon	
Grand Century Place	193 Prince Edward Road West, Mongkok
Millennium City Phase 1 *	388 Kwun Tong Road
Millennium City Phase 2	378 Kwun Tong Road
The Sun Arcade	28 Canton Road, Tsim Sha Tsui
Royal Plaza Hotel	193 Prince Edward Road West, Mongkok
Royal Garden Hotel	69 Mody Road, Tsim Sha Tsui
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan
New Tech Plaza	34 Tai Yau Street, San Po Kong
APEC Plaza	49 Hoi Yuen Road, Kwun Tong
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan
Hing Wah Centre	82-84 To Kwa Wan Road
New Territories	
New Town Plaza I	18 Shatin Centre Street, Shatin
Tai Po Mega Mall	9 On Pong Road, Tai Po
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan
East Point City Shopping Centre	8 Chung Wa Road, Tseung Kwan O
New Town Plaza III	2-8 Shatin Centre Street, Shatin
Sun Yuen Long Centre Shopping Centre	8 Long Yat Road, Yuen Long
Yuen Long Plaza Shopping Arcade	249-251 Castle Peak Road, Yuen Long
Uptown Plaza Shopping Arcade	9 Nam Wan Road, Tai Po
Metroplaza Tower I & Shopping Centre	223 Hing Fong Road, Kwai Chung
Grand Central Plaza	138 Shatin Rural Committee Road, Shatin
Landmark North	39 Lung Sum Avenue, Sheung Shui
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan
Citygate	Tung Chung Town Lot 2
Royal Park Hotel	8 Pak Hok Ting Street, Shatin
Sunhing Hungkai Godown	8 Wong Chuk Yeung Street, Shatin
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui

* Including the attributable share in areas held by SUNeVision, in which the Group has an 84.8 per cent interest

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Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
		Residential	Shopping Centre	Office	Hotel	Industrial/Office	
2127	100	–	53,400	850,600	–	–	904,000
2842	100	–	162,000	350,000	–	–	512,000
2047	47.5	–	62,000	373,000	–	–	435,000
2128	33.3	–	20,500	80,000	–	–	100,500
2047	50	–	–	700,000	–	–	700,000
2886	100	341,000	–	–	–	–	341,000
2047	100	316,700	–	–	–	–	316,700
2884	100	159,500	–	–	–	–	159,500
2047	100	–	725,000	475,000	–	–	1,200,000
2047	100	–	27,000	890,000	–	–	917,000
2047	50	–	–	133,000	–	–	133,000
2047	100	–	204,800	–	–	–	204,800
2047	100	–	–	–	400,000	–	400,000
2127	100	–	–	–	295,000	–	295,000
2047	50	–	–	–	–	285,000	285,000
2047	100	–	–	–	–	268,800	268,800
2047	100	–	–	–	–	240,000	240,000
2047	100	–	–	–	–	202,000	202,000
2099	100	–	–	–	–	182,700	182,700
2047	100	–	1,300,000	–	–	–	1,300,000
2047	100	–	588,800	–	–	–	588,800
2047	100	–	583,000	–	–	–	583,000
2047	100	–	415,000	–	–	–	415,000
2047	100	–	350,000	–	–	–	350,000
2047	87.5	–	245,000	–	–	–	245,000
2047	100	–	145,000	–	–	–	145,000
2047	100	–	120,000	–	–	–	120,000
2047	100	–	600,000	569,000	–	–	1,169,000
2047	100	–	236,000	505,000	–	–	741,000
2047	100	–	181,500	375,500	–	–	557,000
2047	100	–	35,100	137,200	–	–	172,300
2047	20	–	99,000	32,000	–	–	131,000
2047	100	–	–	–	258,000	–	258,000
2047	100	–	–	–	–	500,000	500,000
2047	100	–	–	–	–	142,000	142,000

Major Completed Investment Properties

■ Residential ■ Shopping Centre ■ Office ■ Industrial/Office ■ Hotel

1	Dynasty Court	■				
2	Hillsborough Court	■				
3	63 Deep Water Bay Road	■				
4	51 & 55 Deep Water Bay Road	■				
5	Pacific View	■				
6	New Town Plaza / New Town Tower		■	■		
7	Grand Central Plaza		■	■		
8	Uptown Plaza		■			
9	Tai Po Mega Mall		■			
10	Landmark North		■	■		
11	Sun Yuen Long Centre		■			
12	Yuen Long Plaza		■			
13	Chelsea Heights		■			
14	Tsuen Wan Plaza		■			
15	Grand City Plaza		■	■		
16	Metroplaza		■	■		
17	New Kowloon Plaza		■			
18	Grand Century Place		■	■		
19	Hollywood Plaza		■	■		
20	The Sun Arcade		■			
21	East Point City		■			
22	World Trade Centre		■	■		
23	Sun Hung Kai Centre		■	■		
24	Harbour Centre		■	■		
25	One International Finance Centre		■	■		
26	Chi Fu Landmark		■			
27	New Jade Shopping Arcade		■			
28	Citygate		■	■		
29	Central Plaza			■		
30	Millennium City Phases 1 & 2		■	■		
31	APEC Plaza				■	
32	Infotech Centre				■	
33	Hing Wah Centre				■	
34	New Tech Plaza				■	
35	Advanced Technology Centre				■	
36	Peninsula Tower				■	
37	Kerry Hung Kai Godown				■	
38	Sunhing Hungkai Godown				■	
39	Royal Garden Hotel					■
40	Royal Plaza Hotel					■
41	Royal Park Hotel					■

Existing

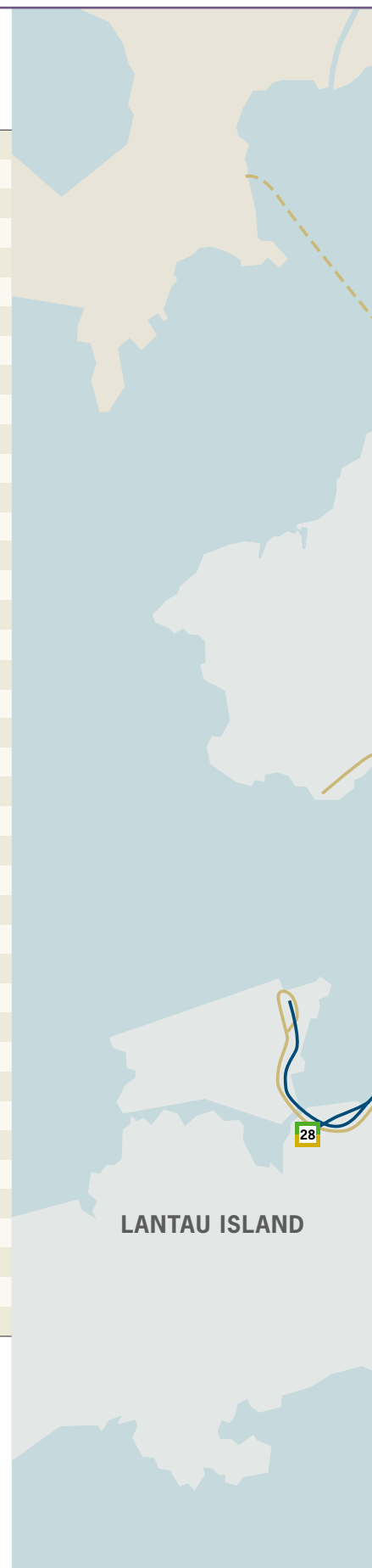
Railways ———
Major Highways ———
Railway Interchange 
Cross Harbour Tunnel =====

Under Construction

Railways - - - - -

Planned (completion by 2008)

Railways - - - - -
Major Highways - - - - -



LANTAU ISLAND

REVIEW OF OPERATIONS – PROPERTY INVESTMENT

