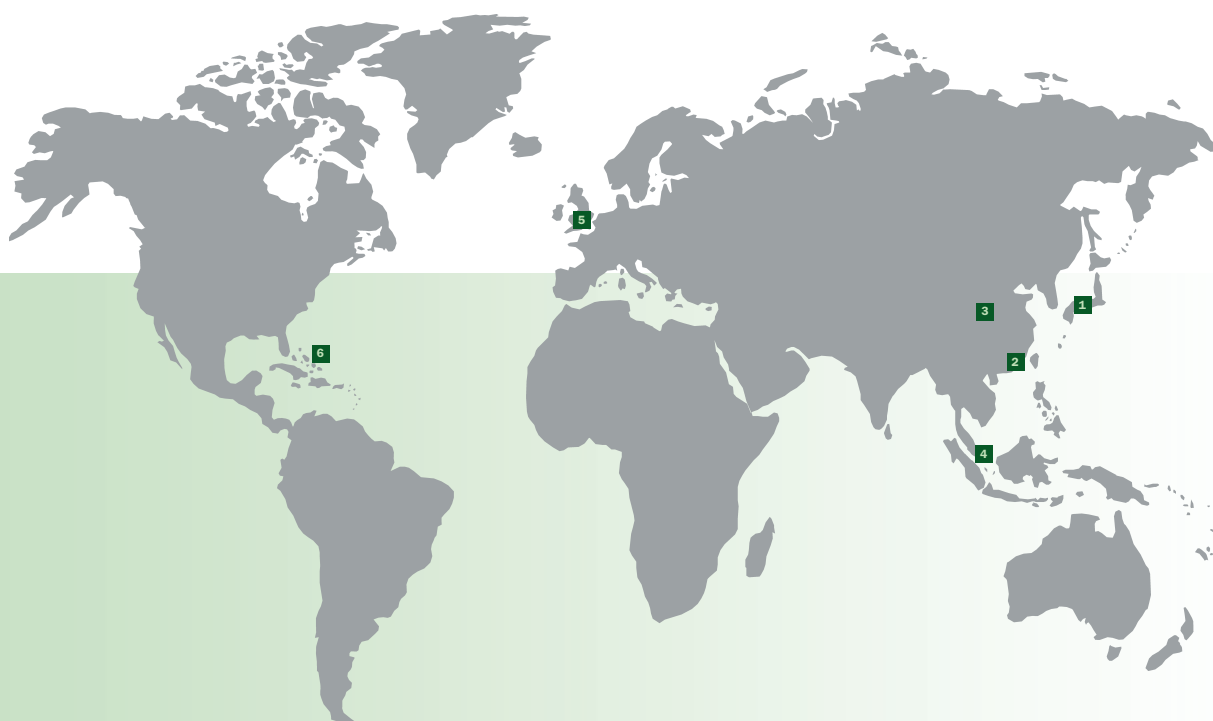


Operations Review Property and Hotels



An innovative home automation system allows this tenant to control electrical appliances in his North American-style villa at The Lakeside, Phase 2 of Laguna Verona, Dongguan via the computer in his Hong Kong office.





The Group's property activities comprise an investment portfolio of approximately 15.7 million square feet (2002 – 15.7 million square feet) of office, commercial, industrial and residential premises that provide steady recurrent rental income. This division also includes interests in joint ventures for the development of high quality residential, commercial, office, hotel and recreational projects mainly in Hong Kong and the Mainland, and selectively overseas. In addition, the Group operates a portfolio of premium quality hotels.

- 1 ■ Japan
2 ■ Hong Kong

- 3 ■ Mainland China
4 ■ Singapore

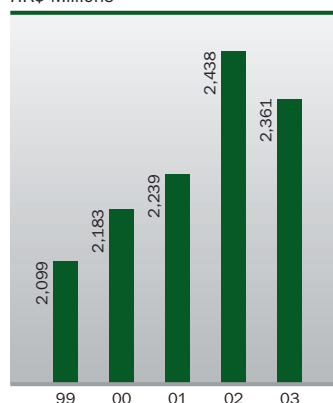
- 5 ■ UK
6 ■ The Bahamas

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Turnover of the property and hotels division for 2003 totalled HK\$11,224 million, a decrease of HK\$485 million, or 4%, compared to 2002, mainly due to lower rentals and the effects of SARS on the hotel businesses. Gross rental income from the investment properties, including the Group's share of associated companies, decreased 3% in 2003 to HK\$2,361 million. Office premises contributed 43% of gross rental income, commercial 35%, industrial 18% and residential 4%. EBIT from the property and hotels division amounted to HK\$3,121 million, an increase of 21%, mainly due to the increased profits from the completion and sale of development projects.

Gross Rental Income

HK\$ Millions



Rental Properties

Hong Kong

The Group's portfolio of rental properties in Hong Kong, comprising approximately 12.6 million square feet (2002 – 12.7 million square feet) of office (25%), commercial (24%), industrial (50%) and residential (1%) properties continue to provide a strong recurrent earnings base. Gross rental income, including the Group's share of associated companies, of HK\$1,842 million, was 9% below last year, mainly due to lower rentals on lease renewals as a result of deflationary pressures. All of the Group's premises remain substantially fully let. Gross rental income is expected to stabilise as deflationary pressure has eased.

Major rental properties in Hong Kong

Name	Property Type	Total Gross Floor Area for Rent ('000 sq ft)	Group's Interest	% Leased
Cheung Kong Center	Office	1,263	100%	95%
Hutchison House	Office	504	100%	92%
Harbourfront Office Towers I and II	Office	863	100%	99%
Aon China Building	Office	259	100%	87%
Whampoa Garden	Commercial	1,714	100%	95%
Aberdeen Centre	Commercial	345	100%	99%
Hongkong International Distribution Centre	Industrial	4,705	88%	99%



The Mainland and Overseas

The Group's various joint ventures in the Mainland and overseas hold a portfolio of investment properties totalling 9.8 million square feet, of which the Group's share is 3.1 million square feet (2002– 3.0 million square feet). The Group's share of gross rental income of HK\$519 million was 50% above last year, mainly due to increased contributions from the developments completed last year, the Beijing Oriental Plaza in the Mainland and the Pacific Century Place Marunouchi in Tokyo.

Property Sales and Properties under Development

During the year, profits were recorded from the completion and sale of 1,362 residential units in Rambler Crest, Hong Kong, 1,494 residential units in Le Parc, Shenzhen, 358 residential units in The Summit, Shanghai, 41 residential units in Regency Park in Shanghai and 171 residential units in Albion Riverside, London.



The main entrance of Parc Barcelona at Le Parc Phase II in Shenzhen reflects the classic style of Spanish architecture.

Currently the Group's joint venture share of landbank being developed totals approximately 16.1 million square feet of which 11% is in Hong Kong, 85% is in the Mainland and 4% is overseas. These projects are scheduled for completion in phases from 2004 to 2015 and are expected to provide satisfactory returns and development profits to the Group.

Major rental properties in the Mainland and Overseas

Name	Location	Property Type	Total Gross Floor Area for Rent ('000 sq ft)	Group's Interest	% Leased
The Mainland					
Oriental Plaza	Beijing	Office, serviced apartments & commercial	4,984	18%	67%
Westgate Mall & Tower	Shanghai	Office & commercial	1,099	30%	100%
Metropolitan Plaza	Chongqing	Office & commercial	1,512	50%	95%
Seasons Villas	Shanghai	Residential	1,253	50%	77%
Japan					
Pacific Century Place Marunouchi	Tokyo	Office & hotel	786	38%	100%

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Major Hong Kong properties under development

Name	Location	Property Type	Total Gross Floor Area ('000 sq ft)	Group's Interest	Completion Date
Caribbean Coast – Phases II to IV	Tung Chung	Residential	3,131	40% to 50%	2004 – 06
Tsing Yi Office	Tsing Yi Island	Office	362	87%	2005



■ At 200 metres, the leisure swimming pool at Rambler Crest is the longest in Hong Kong.

Hong Kong

During the year, the five residential towers of serviced suites of Rambler Crest in Tsing Yi were completed and substantially sold. The Group also pre-sold one of the three hotel towers in the Rambler Crest development that are scheduled for completion this year when the profit will be recorded. Pre-sale activity for Albany Cove, Phase II of the Caribbean Coast residential development in Tung Chung, started during the year and construction is expected to complete this year.

The Mainland

In the Mainland, Phases III and IV of Le Parc in Shenzhen were completed and substantially sold during the year. The Summit, the luxury residential development in Walton Plaza, Shanghai, was completed during the year and almost all of the units were sold. The first phase of the Regency Park in Shanghai and Phase I of Beverly Hills in Chongqing were completed during the year and the majority of the units were sold.



■ Serenity is taken for granted in Zhuhai Horizon Cove, overlooking the tranquil 30,000-square-metre man-made lake.

The last phase of Seasons Villas in Shanghai, a low-density residential project, will be completed this year. Most of the units have been retained for leasing. Pre-sale activity for Dynasty Garden in Baoan, Shenzhen commenced during the year and 24% of the residential units were pre-sold. The project is scheduled to be completed later this year. The final phases of Regency Park, the second phase of Beverly Hills, the remaining tower of serviced apartments of Beijing Oriental Plaza as well as The Center are scheduled for completion this year, generating development profits and increasing the portfolio of investment properties of the Group. The other projects under development are progressing well.

Major properties in the Mainland under development

Name	Location	Property Type	Total Gross Floor Area ('000 sq ft)	Group's Interest	Completion Date
Seasons Villas	Shanghai	Residential	25	50%	2004
Dynasty Garden, Baoan	Shenzhen	Residential	1,232	50%	2004
Beverly Hills, Jiangbei	Chongqing	Residential	448	50%	2004
Regency Park	Shanghai	Residential	1,532	50%	2004
Oriental Plaza – one tower of serviced apartment	Beijing	Serviced apartment	506	18%	2004
The Center	Shanghai	Office	939	50%	2004
Huangsha underground railway development	Guangzhou	Residential & commercial	3,569	50%	2005
Cape Coral, Panyu Dashi	Guangzhou	Residential & commercial	4,933	50%	2004 – 07
Dongguan Laguna Verona	Dongguan	Residential	10,525	47%	2004 – 15
Horizon Cove – Phases III & IV	Zhuhai	Residential	2,901	50%	2004 – 07
Shanghai Gubei	Shanghai	Residential & commercial	1,685	50%	2005

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Overseas

In the UK, the residential units of Albion Riverside in London were completed during the year and were substantially sold. In Singapore, five residential towers of Costa del Sol were completed and over 30% of the development was sold. The remaining two residential towers are scheduled to be completed this year. Pre-sale activity of Cairnhill Crest has commenced and the project is expected to be completed later this year.

Major overseas properties under development

Name	Location	Property Type	Total Gross Floor Area ('000 sq ft)	Group's Interest	Completion Date
United Kingdom					
Albion Riverside	London	Commercial	79*	45%	2004
Chelsea Harbour Phase II	London	Residential	118*	23%	2006
Lots Road Power Station	London	Residential & commercial	704*	23%	2007- 10
Singapore					
Cairnhill Crest	Singapore	Residential	440	50%	2004
Costa del Sol	Singapore	Residential	490	24%	2004

* Total net floor area for UK projects



■ The grand entrance and the main lobby (Manor House) of The Westin and Sheraton at Our Lucaya Beach & Golf Resort - Grand Bahama Island.

Hotels

The Group currently has interests in nine operating hotels, in Hong Kong, the Mainland and the Bahamas. The Group currently manages four of these hotels. The SARS outbreak during the year significantly adversely affected the hotel operations. Travel activity has recovered recently and a more profitable performance is expected in 2004.

In Hong Kong, the hotels reported an overall EBIT 9% lower than last year, reflecting lower occupancy levels due to SARS and the rooms renovation project during the year at the Sheraton Hotel and Towers Hong Kong, which was completed in the last quarter of 2003. These effects were partially offset by the first full year earnings of Harbour Plaza Metropolis and Horizon Suite Hotel, which commenced operation at the end of June and mid-October in 2002, respectively.

The Group's hotels in the Mainland reported an overall EBIT 95% lower than last year reflecting the effects of SARS during the year and also one-time profits recorded last year from the sale of three hotels.

The Westin and Sheraton at Our Lucaya Beach & Golf Resort on Grand Bahama Island reported an improved result with LBIT 30% lower than last year despite the low levels of leisure travel from the USA due to ongoing security concerns.



The world famous night view of Victoria Harbour makes dining at Harbour Plaza Metropolis an unparalleled experience.



Set against a lush tropical landscape, the magnificent resort-style indoor pool in Beijing Oriental Plaza features a "virtual sky" with over 20 special effects that mirror natural weather conditions.