



Property Investment



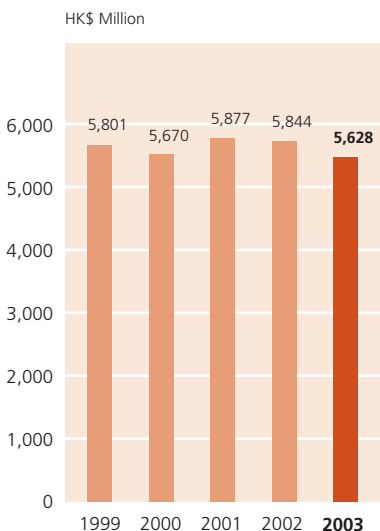
The Group strives to generate better returns from its rental portfolio by continually monitoring the needs of its valued tenants closely. It will keep upgrading its investment portfolio and add value by incorporating the latest technology and modern facilities in its properties.

IFC, Central

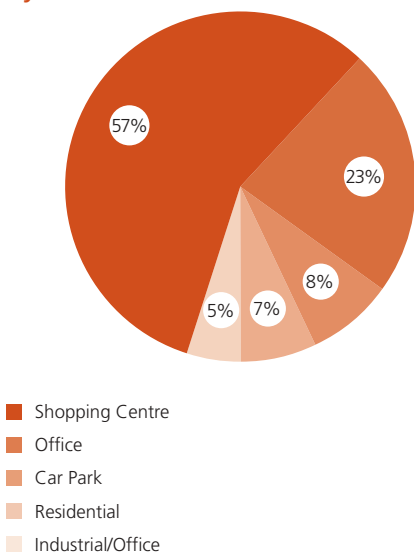
REVIEW OF OPERATIONS

Property Investment

Gross Rental Income*



Gross Rental Income* by Sector



* Including contributions from jointly-controlled entities and associates

Returns from the Group’s 20.5 million square-foot rental portfolio were satisfactory for the year under review, despite a difficult leasing market and the temporary impact of SARS. Overall occupancy stood at approximately 92 per cent when the newly-completed Two IFC is excluded. Gross rental income, including contributions from jointly-controlled entities and associates, was HK\$5,628 million, compared to HK\$5,844 million the previous year. The drop was primarily in the Group’s office portfolio, because of the weak local market. Net rental income declined modestly to HK\$4,100 million from HK\$4,432 million last year.

By July, Hong Kong’s retail sector had recovered from the effect of the SARS outbreak earlier this year. The Group acted quickly as soon as the outbreak began, implementing a comprehensive set of hygiene measures to reassure shoppers and tenants. It also offered one-off rent concessions to a small number of tenants in the hardest-hit sectors and staged extra shopping centre promotions. The measures were effective and had a minimal impact on the Group’s overall rental income.

Office leasing remained soft during the period under review, largely as a result of a slow domestic economy. However, recent signs of an economic recovery have resulted in more leasing enquiries and commitments to the Group’s office portfolio.

The Group aims to generate better returns from its rental portfolio by constantly monitoring the market and valued tenants’ needs closely, to ensure that occupancy is maintained at a satisfactory level. It will continue upgrading its investment portfolio and adding value by incorporating the latest technology and modern facilities in its properties. The Group also intends to increase turnover on assets by disposing of some non-core rental properties at the appropriate time in order to maintain an optimal mix in its high-quality rental portfolio.

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

Status and Usage

Attributable Gross Floor Area (million square feet)

	Residential	Shopping Centre	Office	Hotel	Industrial/ Office	Total
Complete	1.0	8.3	6.5	0.9	3.8	20.5
Under Development	–	1.1	4.0	1.6	–	6.7
Total	1.0	9.4	10.5	2.5	3.8	27.2

COMPLETED INVESTMENT PROPERTY

Shopping Centres

The Group's shopping centre network is the largest in Hong Kong, with an attributable gross floor area of 8.3 million square feet. The majority of these malls are in new towns, occupied by retail tenants supplying daily necessities to nearby residents. Prime locations, convenience and stringent hygiene measures have kept retail occupancy high, and rents are largely steady despite economic fluctuations. The Group's flagship mall, New Town Plaza in Shatin, and its other major shopping centres such as Metroplaza in Kwai Chung, Tai Po Mega Mall in Tai Po, East Point City in Tseung Kwan O and Grand Central Plaza in Shatin remained at near full occupation during the year.

On top of regular shopping centre promotions and other initiatives during festive seasons, the Group carries out maintenance and regular renovations to keep the malls fresh. Renovations are planned for five malls in coming years, including a HK\$300 million project at New Town Plaza Phase 1 in Shatin and a HK\$100 million facelift of Grand Century Place in Mongkok in the next two years. At the same time, the introduction of new retailers including international stores helps enhance the shopping experience and boost rental values.

The newly-completed retail mall in Two IFC has a total gross floor area of over 500,000 square feet. The mall's soft opening is planned for October 2003. It will have world-leading retailers, a multi-screen cinema and a range of restaurants serving various cuisines.



The Group is spending HK\$300 million to renovate New Town Plaza in Shatin, making it a more modern, spacious shopping environment.

REVIEW OF OPERATIONS

Property Investment



The ultra-modern Two IFC office tower meets the needs of multinational companies.

Office

Overall occupancy of the Group's office portfolio, excluding the newly-completed Two IFC, was slightly above 90 per cent during the year. Some of the Group's office buildings were able to achieve higher occupancies due to their strategic locations. To highlight some, Metroplaza, Sun Hung Kai Centre and Millennium City Phase 1, recorded average occupancies close to 95 per cent.

The office tower in Two IFC has a total gross floor area of 1.95 million square feet, and an ultra-modern design that suits the needs of multinational companies. The first tenants started moving in this July.

The Group will continue to incorporate the latest technology and sophisticated facilities in future office projects to satisfy the changing requirements of tenants.

Residential

The Group owns one million square feet of residential investment properties, consisting largely of luxury developments such as Dynasty Court in Mid-Levels and Pacific View in Island South. Signature Homes, the Group's residential leasing arm, is devoted to providing six-star living and a new standard of personal service that puts customers first.



Signature Homes specializes in high-end residential property leasing such as Dynasty Court in Mid-Levels.

Car Parks

Including its attributable share of jointly-controlled entities, the Group currently owns 27,000 parking bays, which generated HK\$435 million in rental income during the year compared with HK\$472 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

In addition to the 30 cinemas the Group currently has in its various shopping centres, it will open a five-screen cineplex in Two IFC at the end of this year. The Group's rental portfolio also includes a number of industrial buildings, godowns and data centres. Some of the industrial premises are being considered for conversion to other uses.



Retailers in the East Point City shopping centre in Tseung Kwan O provide daily necessities to local residents.



The Group is always adding new elements to its shopping centres to increase traffic, such as the first children's fashion retail court in Hong Kong at Tsuen Wan Plaza.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

Disposing of some non-core properties while adding quality new rental projects to its portfolio is part of the Group's strategy to achieve an optimal investment mix. In line with this, the Group has an attributable 6.7 million square feet of new investment properties currently under development. Of this, retail space will account for 1.1 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 will make up the remaining four million square feet of the Group's new investment properties.

Most of these developments are landmark projects connected to an array of transport systems, including 1.1 million square feet in the first Four Seasons Hotel Hong Kong right above Hong Kong Station, 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 30 to 33.

Major Investment Properties Under Development Include:

Shopping Centres

- Millennium City Phase 5 (418 Kwun Tong Road)
- Airport Railway Kowloon Station Development Packages 5, 6 & 7
- YOHO Town Phase 2 (Yuen Long Town Lot 504)

Offices

- Millennium City Phase 5 (418 Kwun Tong Road)
- Airport Railway Kowloon Station Development Packages 5, 6 & 7

REVIEW OF OPERATIONS

Property Investment



New Town Plaza's music fountain, the first in Hong Kong, has entertained countless shoppers in the past 18 years.



Grand Century Place in Mongkok will undergo a HK\$100 million facelift to attract even more shoppers.

Major Completed Investment Properties

Name	Location
Hong Kong Island	
Sun Hung Kai Centre	30 Harbour Road, Wanchai
Two IFC & IFC Mall	8 Finance Street, Central
World Trade Centre	280 Gloucester Road, Causeway Bay
Harbour Centre	25 Harbour Road, Wanchai
Central Plaza	18 Harbour Road, Wanchai
One IFC	1 Harbour View Street, Central
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
Millennium City Phase 3	370 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
Park Central Shopping Centre	Tseung Kwan O Town Lots 57 & 66
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 84.9 per cent interest.

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	
2047	47.5	–	304,000	537,000	–	–	841,000	
2842	100	–	162,000	350,000	–	–	512,000	
2128	33.3	–	20,500	80,000	–	–	100,500	
2047	50	–	–	700,000	–	–	700,000	
2047	47.5	–	–	373,000	–	–	373,000	
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	70	–	–	108,000	–	–	108,000	
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	–	–	–	–	208,000	208,000	
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	57.52/25	–	195,000	–	–	–	195,000	
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	

REVIEW OF OPERATIONS

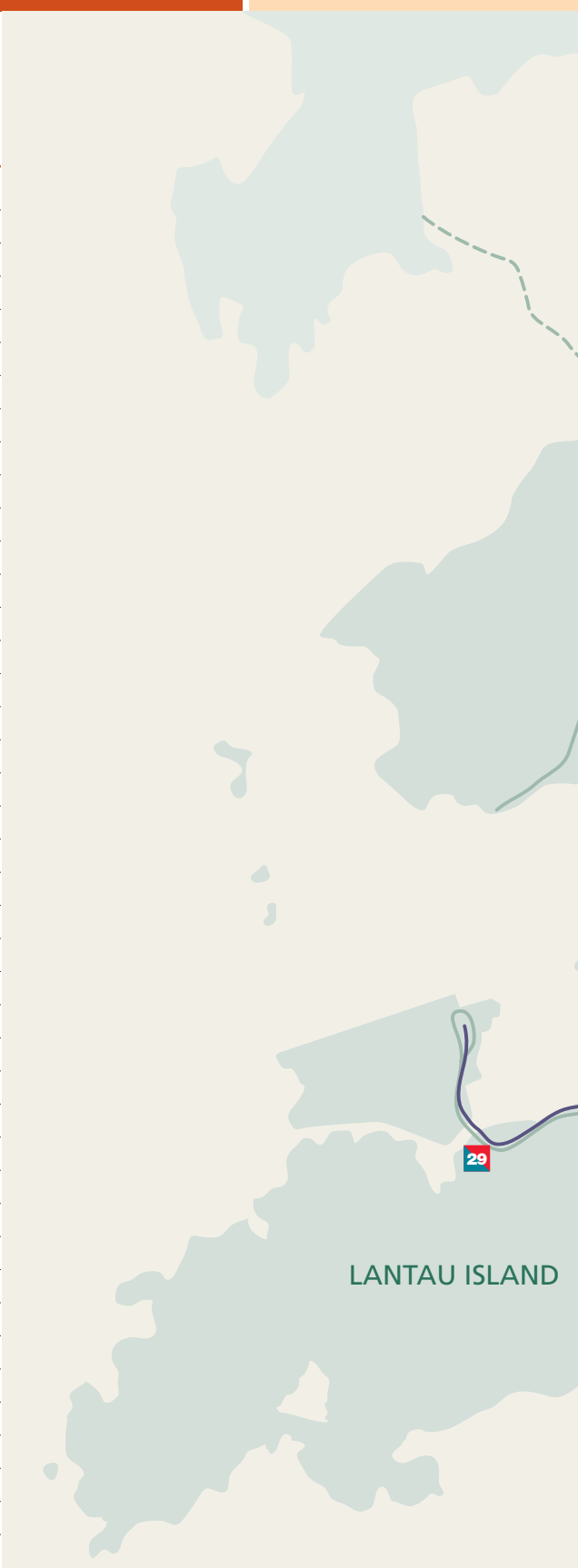
Property Investment

Residential
Shopping Centre
Office
Industrial/Office
Hotel



Major Completed Investment Properties

01	■	Dynasty Court
02	■	Hillsborough Court
03	■	63 Deep Water Bay Road
04	■	51 & 55 Deep Water Bay Road
05	■	Pacific View
06	■ ■	New Town Plaza / New Town Tower
07	■ ■	Grand Central Plaza
08	■	Uptown Plaza
09	■	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	■	Park Central
23	■ ■	World Trade Centre
24	■ ■	Sun Hung Kai Centre
25	■ ■	Harbour Centre
26	■ ■	IFC
27	■	Chi Fu Landmark
28	■	New Jade Shopping Arcade
29	■ ■	Citygate
30	■	Central Plaza
31	■ ■	Millennium City Phases 1, 2 & 3
32	■	APEC Plaza
33	■	Infotech Centre
34	■	Hing Wah Centre
35	■	New Tech Plaza
36	■	Advanced Technology Centre
37	■	Peninsula Tower
38	■	Kerry Hung Kai Godown
39	■	Sunhing Hungkai Godown
40	■	Royal Garden Hotel
41	■	Royal Plaza Hotel
42	■	Royal Park Hotel



LANTAU ISLAND

