





*Airport Railway
Kowloon Station Development
Packages 5, 6 & 7*



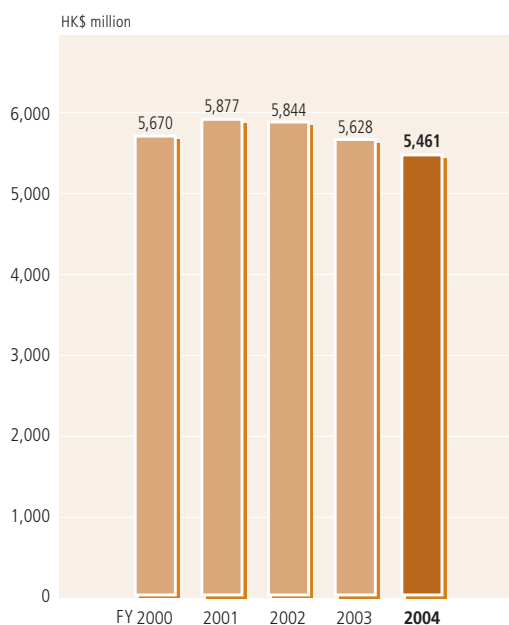
PROPERTY INVESTMENT

Hong Kong's economic recovery and ever closer economic integration with the Mainland are fueling higher demand for retail and commercial premises. Being the largest retail landlord in the territory, the Group plans to build more landmark developments to tap the growing market.

Year's Highlights

- 20.5 million square feet of completed investment properties in Hong Kong held as long-term investment
- Portfolio about 95 per cent let
- HK\$5,461 million in gross rental income, including contributions from joint venture properties
- HK\$3,998 million in net rental income

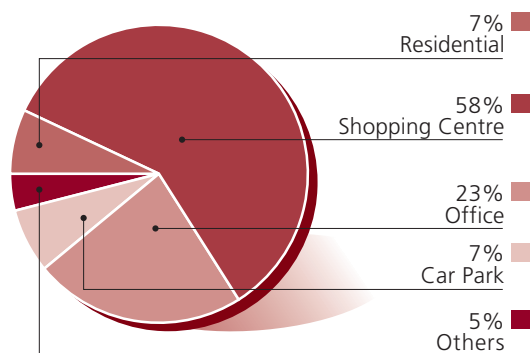
Gross Rental Income*



The Group's gross rental income (including contributions from jointly-controlled entities and associates) was HK\$5,461 million during the year, compared with HK\$5,628 in the previous year. Net rental income also decreased two per cent to HK\$3,998 million. The result reflects the resilience of the Group's retail rental income. The Group's 20.5 million square-foot rental portfolio was about 95 per cent let as a result of the recent improvement in the leasing market.

The retail leasing market has made a remarkable recovery since the second half of 2003. Tourist arrivals increased sharply with the Individual Visit Scheme and local consumer confidence got a boost from recoveries in the domestic economy and property market. Better sentiment resulted in higher pedestrian traffic and consumer spending in the Group's malls. The Group built on this by staging various promotions in Mainland cities on top of regular local mall events to boost traffic further.

Gross Rental Income* By Sector



Returns from the Group's office portfolio were affected by weak office rentals in 2003, but economic recovery and scarcity of new supply after 2004 have led to an increase in leasing since early 2004. Office rents have improved only moderately so far. New demand for office space has emerged in certain industries, even though most demand still comes from relocations.

* Including contributions from jointly-controlled entities and associates

Investment Properties: Completed and Under Development

Status and Usage

Attributable Gross Floor Area (million square feet)

| | RESIDENTIAL | SHOPPING CENTRE | OFFICE | HOTEL | INDUSTRIAL/OFFICE | TOTAL |
|-------------------|-------------|-----------------|-------------|------------|-------------------|-------------|
| Completed | 1.0 | 8.4 | 6.5 | 0.9 | 3.7 | 20.5 |
| Under Development | - | 1.2 | 3.9 | 1.9 | - | 7.0 |
| Total | 1.0 | 9.6 | 10.4 | 2.8 | 3.7 | 27.5 |

Regular upgrades and renovations to the Group's investment properties enhance rental values, and an emphasis on tenant care builds loyalty and helps keep occupancy high. The Group began a renovation programme in Tsuen Wan Plaza during the year and is planning to up-grade Grand Central Plaza in Shatin. Regular two-way communications between the Group and its tenants ensure that their needs are understood and addressed. The Group maintains an optimal leasing portfolio by developing new projects and disposing of non-core properties at appropriate times.

COMPLETED INVESTMENT PROPERTIES

Shopping centres

The Group's diverse network of shopping centres is the largest in Hong Kong at 8.4 million square feet of attributable gross floor area. Many are at rail stations in major new towns, like New Town Plaza in Shatin, Metroplaza in Kwai Chung and East Point City in Tseung Kwan O. Others such as World Trade Centre in Causeway Bay, Grand Century Place in Mongkok and IFC Mall in Central are prominent malls in commercial districts. The portfolio was 95 per cent let during the year. The Group reviews the tenant mix in its malls constantly to ensure they are attractive to both local and Mainland shoppers.

IFC Mall has become the new shopping and entertainment destination in Central since its opening

in late 2003. The diverse mix of tenants includes a multi-screen cinema and a wide selection of high-end retailers, many of which are international brands opening in Hong Kong for the first time. The mall is now over 90 per cent let and the additional restaurants and shops scheduled to open in the next few months will offer shoppers more attractions and convenience.



IFC Mall has a unique architectural design and offers a stylish venue for top end retailers.

REVIEW OF OPERATIONS - PROPERTY INVESTMENT



Raymond Kwok, Vice Chairman & Managing Director (middle), officiates at the opening ceremony for Signature Homes' 'six-star home' exhibition area.



Apartments at Hillsborough Court in Mid-Levels are tastefully furnished and have calming green views of Victoria Peak.

Offices

Over 95 per cent of the Group's 6.5 million square-foot office portfolio was leased during the year. The portion of Two IFC held by the consortium, in which the Group has a 47.5 per cent interest, is now over 90 per cent let after commitments by several major tenants over the past few months. The office tower has 1.95 million square feet total gross floor area and an ultra-modern design catering to the needs of multinational companies.

The Group also owns a number of decentralized premium-quality office developments. Occupancy remained high during the year with Millennium City Phase 1 in Kowloon East 97 per cent let. Grand Century Place in Mongkok and Metroplaza in Kwai Chung were both near fully let.

Residential

The Group has one million square feet of residential properties for lease, including luxurious developments like Dynasty Court and Hillsborough Court in Mid-Levels. Signature Homes oversees leasing of the Group's luxury developments. It is committed to providing comprehensive and personalized one-stop service to tenants, offering them six-star living.

Other Properties

The Group owns 29,000 car parking bay and a number of industrial buildings, godowns and data centres. Conversion of some of the industrial premises into other uses such as offices is under consideration.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

Part of the Group's strategy for ensuring an optimal portfolio mix involves building major new projects and considering the disposal of non-core properties. The Group has seven million square feet of new investment properties under development in attributable terms, including 3.9 million square feet of grade-A offices with modern facilities and the latest technology. Retail space accounts for 1.2 million square feet and the remaining 1.9 million square feet is made up of high-end hotels and suites.

Most of these developments are connected to various transport systems, such as the Four Seasons Hotel at Hong Kong Station, Airport Railway Kowloon Station Development Packages 5, 6 & 7 and Millennium City Phase 5 in Kowloon East.

Millennium City Phase 5 is at a transportation hub in Kowloon East and connected to the Kwun Tong MTR. It will house APM, the Group's flagship mall in Kowloon East. The 600,000 square-foot shopping centre scheduled for opening in early 2005 is already 85 per cent pre-let. It will feature a variety of specialty restaurants and retail brands catering to shoppers looking for a modern lifestyle.

Major Investment Properties Under Development Include:

Shopping centres at

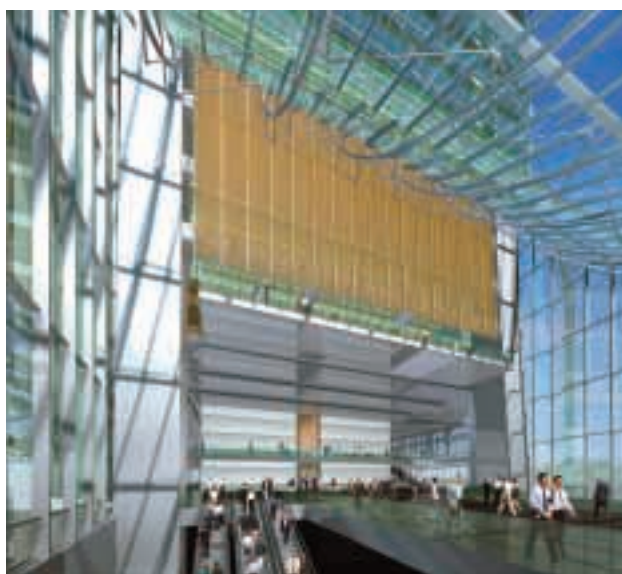
- Millennium City Phase 5
- Yuen Long Town Lot 504

Offices at

- Millennium City Phase 5
- Airport Railway Kowloon Station Development Packages 5, 6 & 7



APM at Millennium City Phase 5 will house an array of popular up market brands and entertainment establishments unrivalled in Kowloon East.



Ultra modern office facilities at Airport Railway Kowloon Station Development Packages 5, 6 & 7 will meet the needs of modern business tenants.

REVIEW OF OPERATIONS - PROPERTY INVESTMENT

MAJOR COMPLETED INVESTMENT PROPERTIES

| NAME | LOCATION | LEASE EXPIRY | GROUP'S INTEREST (%) |
|--------------------------------------|---|--------------|----------------------|
| Hong Kong Island | | | |
| Sun Hung Kai Centre | 30 Harbour Road, Wanchai | 2127 | 100 |
| Two IFC & IFC Mall | 8 Finance Street, Central | 2047 | 47.5 |
| World Trade Centre | 280 Gloucester Road, Causeway Bay | 2842 | 100 |
| Harbour Centre | 25 Harbour Road, Wanchai | 2128 | 33.3 |
| Central Plaza | 18 Harbour Road, Wanchai | 2047 | 50 |
| One IFC | 1 Harbour View Street, Central | 2047 | 47.5 |
| Dynasty Court (Blocks 2 & 3) | 23 Old Peak Road | 2886 | 100 |
| Pacific View (Blocks 2 & 3) | 38 Tai Tam Road | 2047 | 100 |
| Hillsborough Court (Block 4) | 18 Old Peak Road | 2884 | 100 |
| Kowloon | | | |
| Grand Century Place | 193 Prince Edward Road West, Mongkok | 2047 | 100 |
| Millennium City Phase 1* | 388 Kwun Tong Road | 2047 | 100 |
| Millennium City Phase 2 | 378 Kwun Tong Road | 2047 | 50 |
| Millennium City Phase 3 | 370 Kwun Tong Road | 2047 | 70 |
| The Sun Arcade | 28 Canton Road, Tsim Sha Tsui | 2047 | 100 |
| Royal Plaza Hotel | 193 Prince Edward Road West, Mongkok | 2047 | 100 |
| Royal Garden Hotel | 69 Mody Road, Tsim Sha Tsui | 2127 | 100 |
| Kerry Hung Kai Godown | 3 Fat Tseung Street, Cheung Sha Wan | 2047 | 50 |
| APEC Plaza | 49 Hoi Yuen Road, Kwun Tong | 2047 | 100 |
| Peninsula Tower | 538 Castle Peak Road, Cheung Sha Wan | 2047 | 100 |
| New Tech Plaza | 34 Tai Yau Street, San Po Kong | 2047 | 100 |
| Hing Wah Centre | 82-84 To Kwa Wan Road | 2099 | 100 |
| New Territories | | | |
| New Town Plaza I | 18 Shatin Centre Street, Shatin | 2047 | 100 |
| Tai Po Mega Mall | 9 On Pong Road, Tai Po | 2047 | 100 |
| Tsuen Wan Plaza | 5-21 Pak Tin Par Street, Tsuen Wan | 2047 | 100 |
| East Point City Shopping Centre | 8 Chung Wa Road, Tseung Kwan O | 2047 | 100 |
| New Town Plaza III | 2-8 Shatin Centre Street, Shatin | 2047 | 100 |
| Sun Yuen Long Centre Shopping Centre | 8 Long Yat Road, Yuen Long | 2047 | 87.5 |
| Park Central Shopping Centre | Tseung Kwan O Town Lots 57 & 66 | 2047 | 57.52/25 |
| Yuen Long Plaza Shopping Arcade | 249-251 Castle Peak Road, Yuen Long | 2047 | 100 |
| Uptown Plaza Shopping Arcade | 9 Nam Wan Road, Tai Po | 2047 | 100 |
| Metroplaza Tower I & Shopping Centre | 223 Hing Fong Road, Kwai Chung | 2047 | 100 |
| Grand Central Plaza | 138 Shatin Rural Committee Road, Shatin | 2047 | 100 |
| Landmark North | 39 Lung Sum Avenue, Sheung Shui | 2047 | 100 |
| Grand City Plaza | 1-17 Sai Lau Kok Road, Tsuen Wan | 2047 | 100 |
| Citygate | Tung Chung Town Lot 2 | 2047 | 20 |
| Royal Park Hotel | 8 Pak Hok Ting Street, Shatin | 2047 | 100 |
| Sunhing Hungkai Godown | 8 Wong Chuk Yeung Street, Shatin | 2047 | 100 |
| Advanced Technology Centre | 2 Choi Fat Street, Sheung Shui | 2047 | 100 |

* Including the attributable share in areas held by SUNeVision, in which the Group has an 84.9 per cent interest.

Attributable Gross Floor Area (square feet)

| RESIDENTIAL | SHOPPING CENTRE | OFFICE | HOTEL | INDUSTRIAL/ OFFICE | TOTAL |
|-------------|-----------------|---------|---------|--------------------|-----------|
| - | 53,400 | 850,600 | - | - | 904,000 |
| - | 304,000 | 537,000 | - | - | 841,000 |
| - | 162,000 | 350,000 | - | - | 512,000 |
| - | 20,500 | 80,000 | - | - | 100,500 |
| - | - | 700,000 | - | - | 700,000 |
| - | - | 373,000 | - | - | 373,000 |
| 341,000 | - | - | - | - | 341,000 |
| 316,700 | - | - | - | - | 316,700 |
| 159,500 | - | - | - | - | 159,500 |
| - | 725,000 | 475,000 | - | - | 1,200,000 |
| - | 27,000 | 890,000 | - | - | 917,000 |
| - | - | 133,000 | - | - | 133,000 |
| - | - | 108,000 | - | - | 108,000 |
| - | 204,800 | - | - | - | 204,800 |
| - | - | - | 400,000 | - | 400,000 |
| - | - | - | 295,000 | - | 295,000 |
| - | - | - | - | 285,000 | 285,000 |
| - | - | - | - | 240,000 | 240,000 |
| - | - | - | - | 202,000 | 202,000 |
| - | - | - | - | 193,000 | 193,000 |
| - | - | - | - | 182,700 | 182,700 |
| - | 1,300,000 | - | - | - | 1,300,000 |
| - | 588,800 | - | - | - | 588,800 |
| - | 583,000 | - | - | - | 583,000 |
| - | 415,000 | - | - | - | 415,000 |
| - | 350,000 | - | - | - | 350,000 |
| - | 245,000 | - | - | - | 245,000 |
| - | 195,000 | - | - | - | 195,000 |
| - | 145,000 | - | - | - | 145,000 |
| - | 120,000 | - | - | - | 120,000 |
| - | 600,000 | 569,000 | - | - | 1,169,000 |
| - | 236,000 | 505,000 | - | - | 741,000 |
| - | 181,500 | 375,500 | - | - | 557,000 |
| - | 35,100 | 137,200 | - | - | 172,300 |
| - | 99,000 | 32,000 | - | - | 131,000 |
| - | - | - | 258,000 | - | 258,000 |
| - | - | - | - | 500,000 | 500,000 |
| - | - | - | - | 142,000 | 142,000 |



IFC is the prestigious address for multi-national corporations in Hong Kong.



New Town Plaza is the Group's flagship shopping mall in Shatin. It remains Hong Kong's most visited mall.

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 |



