
ifc

Four Seasons Hotel &
Four Seasons Place
IFC, Central

PROPERTY RELATED BUSINESSES

The Group is building new six-star hotel facilities to take advantage of the increase in tourist numbers and business travellers in the wake of the Mainland's Individual Visit Scheme and Hong Kong's increasing importance as the gateway to China.

Dong Lai Shun restaurant is the latest addition to the Royal Garden's superior food and beverage offerings.

Hospitality sets the Royal Park apart.

New Executive Club Floors make the Royal Plaza even more competitive.

HOTELS

The tourism industry in Hong Kong made a remarkable comeback after the SARS outbreak last year, fuelled by an improved economy and the introduction of the Individual Visit Scheme for Mainlanders. All three of the Group's hotels posted satisfactory results for the year under review, achieving average occupancy of over 90 per cent and higher daily room rates than in the previous year.

The **Royal Garden** added to its food and beverage offerings with the opening of the Dong Lai Shun restaurant in June 2004. The local version of this long-established Beijing chain has already received favourable comments from diners and the media. The Royal Garden's Sabatini Italian and Inagiku Japanese restaurants continue to perform well, despite a competitive market. High-tariff hotels such as the Royal Garden expect to benefit as the Mainland's Individual Visit Scheme expands.

The **Royal Park** continues its pursuit of excellence by refurbishing facilities, adding new amenities and enhancing service to make it more competitive. The hotel's advantageous location near the railway, educational institutes and industrial centres in the New Territories offers tremendous business opportunities.

The **Royal Plaza** has meeting and function rooms that can accommodate groups of all sizes, and the hotel has taken steps to enhance service on its Executive Club Floors. Its food and beverage division is gaining recognition, with events such as the Tianjin Goubuli food promotion attracting substantial interest from the media and public.

As the number of Mainland visitors continues to increase, the Group's three hotels are ideally positioned in terms of location, facilities and service to capitalize on this growing market.

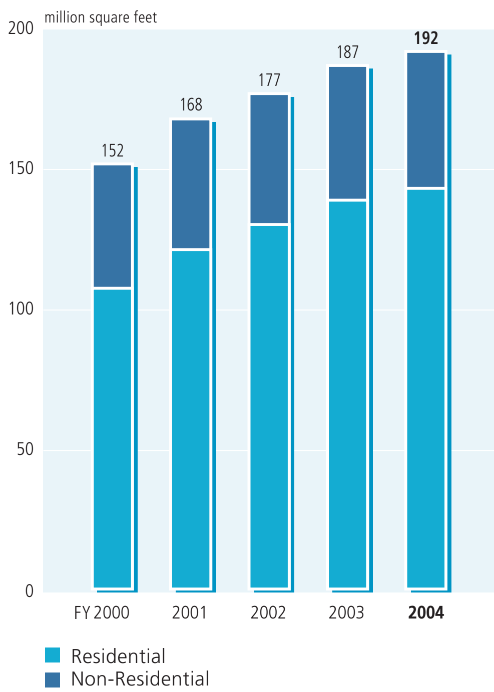
Hong Kong's status as an Asian business centre and tourist hub, as well as new attractions set to open in coming years like the local Disneyland, should ensure that the territory remains a prime destination for leisure visitors and business travellers. The Group plans to take advantage of the opportunities presented by the thriving tourist sector and continued economic growth in the Pearl River Delta by adding new six-star establishments to its hotel portfolio.

The Group is part of the consortium developing the first **Four Seasons Hotel** in Hong Kong and **Four Seasons Place** serviced suites as part of International Finance Centre above Hong Kong Station. Both are scheduled to open for business in mid 2005. The Group also recently reached an agreement with the W Hotels group, under which it will manage a hotel the Group is building as part of the Kowloon Station Development. This hotel right next to Hong Kong's future West Kowloon Cultural District will have extensive meeting facilities and exciting dining, nightlife and entertainment options when it opens in 2008.

The Four Seasons Hotel in Central will raise expectations among business visitors to Hong Kong.

The Group's member property management subsidiaries Hong Yip and Kai Shing won Best Property Management Awards from the Hong Kong Housing Authority.

Premises Managed by the Group



PROPERTY MANAGEMENT

Much of the Group's reputation for superior quality can be attributed to its member property management subsidiaries the **Hong Yip Service Company Limited** and **Kai Shing Management Services Limited**. The companies share the Group's commitment to 'Building Homes with Heart' and offer exceptional service that goes beyond the usual cleaning, maintenance and security, exceeding resident's expectations. Together they serve more than 208,000 households and manage over 190 million square feet of residential, commercial and industrial premises.

The two companies' commitment to exemplary service is widely recognized. Hong Yip is the only property management company to be named Best Property

Management Agent by the Hong Kong Housing Authority for ten consecutive years. The companies also share the Group's concern for the environment and have won numerous awards for green management. Details are set out in the Environmental Protection and Promotion section on page 72.

The Group believes that professional, dedicated staff are essential in providing superior service, which is why its property management companies put great emphasis on training and recruiting the best people. They offered courses for staff and new recruits during the year under review covering diverse topics such as quality customer service, crisis management and communication skills in English and Putonghua. The Employees' Retraining Board presented Hong Yip with its Platinum Award and gave Kai Shing a Certificate of Outstanding Performance in recognition of their contributions to employee retraining and job creation.

Both companies also strive to offer residents of the estates they manage the finest scenic environments. Hong Yip won 12 of the Leisure and Cultural Services Department's Best Landscape Awards for Private Property Developments, while Kai Shing won a Certificate of Merit. Kai Shing also won 32 prizes in the 2004 Hong Kong Flower Show.

Looking to the future, the Group will ensure that its management subsidiaries maintain their tradition of offering residents and commercial occupants of the Group's developments the finest in comprehensive customer care from the very moment they move in.

John Tsang, Secretary for Commerce, Industry and Technology (right) presents Q-Mark certification to Alkin Kwong, Hong Yip Director & General Manager.

The Group strives to provide its customers with the best service.

The Group places great importance on work safety. Shown: Thomas Kwok, Vice Chairman & Managing Director (left) at the Group's Zero Accident Awards Presentation Ceremony.

Vertically integrated construction subsidiaries allow the Group to maintain premium development quality and better control costs.

CONSTRUCTION

Projects completed by the construction division during the year under review amounted to 7.7 million square feet, including 2.3 million square feet completed by a joint venture company. They included Liberté, YOHO Town Phase 1, Ocean Shores Phase 3, Sham Wan Towers, 8 Waterloo Road and BeneVille. Turnover from construction subsidiaries (on a progressive completion basis) was $3,669 million, with another $871 million recorded by joint venture companies. Major projects in progress include the Four Seasons Hotel and Four Seasons Place, Airport Railway Kowloon Station Development Packages 3, 5, 6 & 7, Canary West, Park Island Phase 3, Millennium City Phase 5, 18 Farm Road, Severn 8 and Chelsea Court.

The construction division has several wholly-owned subsidiaries in related fields to complement its activities. The **Everlight Engineering Company Limited, Everfield Engineering Company Limited, Eversun Engineering Company Limited** and **Aegis Engineering Company Limited** provide various construction-related services to the Group and outside companies, such as the supply, installation and maintenance of electrical and fire prevention systems and the hiring out and servicing of plant and machinery, motor vehicles and containers. The division also supplies ready-mixed concrete to the Group and external contractors through an associate, **Glorious Concrete (HK) Limited.**

FINANCIAL SERVICES

The financial services division is made up of the **Hung Kai Finance Company Limited** and **Honour Finance Company Limited**. It offers core services like home mortgages, consumer loans and deposit taking to support the Group's property development business. The division remained profitable despite fierce competition in the industry.

INSURANCE

Sun Hung Kai Properties Insurance Limited recorded HK$408 million in turnover for the period under review and a higher annual net profit before taxation of HK$80.8 million compared with HK$54.5 million last year. The company has been providing its clients with a comprehensive range of insurance service since it was established in 1979. It has additionally been offering insurance products through its Internet site www.shkpinsurance.com.hk to build stronger customer relationships. The company aims for steady growth in quality business and continues to exercise prudent underwriting in today's competitive insurance market. It also continues to upgrade its service to achieve further business growth as clients become more informed and demanding.

Smart card systems at the Group's construction sites improve security management.

TELECOMMUNICATIONS

SmarTone Telecommunications Holdings Limited achieved solid results and delivered consistent growth in an increasingly competitive market. Profit attributable to shareholders for the year increased by 23 per cent to HK$466 million. As at 30 June 2004, the company had 1,065,000 mobile customers in Hong Kong.

SmarTone has been expanding its corporate customer base with superior network quality, award-winning customer service, and attractive products and services catering to the needs of business users. Data revenue grew strongly during the year, driven mainly by a substantial increase in the use of multimedia services.

SmarTone provides its customers with an increasingly wide choice of handsets and focuses on encouraging customers to upgrade to advanced multimedia-capable handsets. It has also been working closely with all major vendors to improve handsets for multimedia services.

Customer service and an extensive network contribute to SmarTone's strong business performance.

SmarTone's multimedia services will fuel future growth.

SmarTone's advances in customer service excellence and consistency are validated by top awards in retail industry competitions and surveys. Its commitment to customers continues to grow, with the introduction of new initiatives providing higher levels of service.

The company aims to commence the commercial operation of its 3G network in the fourth quarter of 2004. With territory-wide coverage at launch, the network will offer reliable performance. New 3G-enabled services will be launched progressively to generate new revenue streams.

SmarTone has demonstrated its resilience and defied the mobile industry trends with consistent revenue and profit growth, reflecting the effective execution of its strategy. The Group is confident in the company and its prospects, and will continue to hold its 52.1 per cent stake in SmarTone as long-term strategic investment.

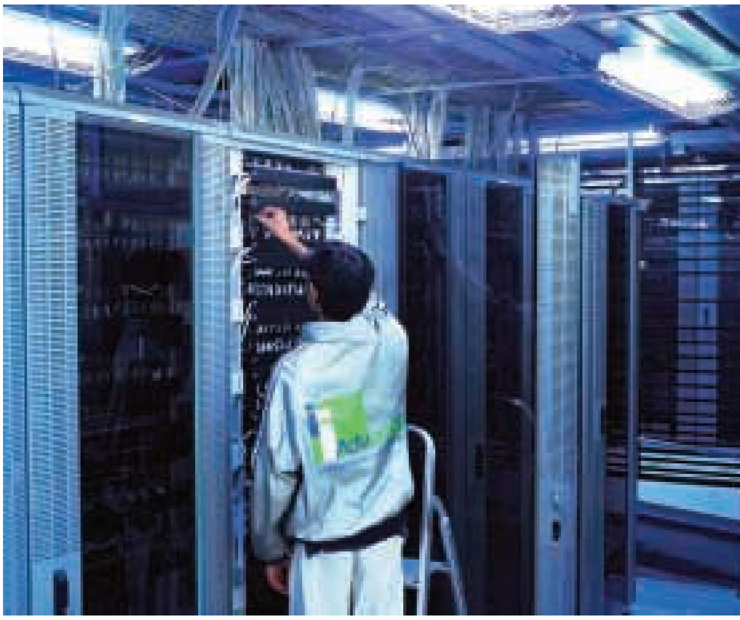
INFORMATION TECHNOLOGY

SUNeVision Holdings Limited achieved full-year profitability for the first time, with a net profit of HK$108 million for the year under review, compared to a net loss of HK$341 million in the previous financial year. The company proceeded steadily with its back-to-basics strategy last year to maximize new revenue opportunities and improve operating efficiency. The profitable result shows the company's clear vision and determined execution.

Turnover and gross profit for the year under review was HK$228 million and HK$69 million respectively, and gross margin rose one percentage point from last year to 30 per cent. Profit from operations before one-off costs improved significantly, from HK$74 million in the previous year to HK$108 million.

iAdvantage continued to meet the needs of global telecommunications companies, IT service providers, multinational corporations and official bodies with its carrier-neutral, world-class Internet data centres in Hong Kong and on the Mainland. The company also signed up prestigious new customers from different business sectors and built on its solid client base for future growth. The company anticipates that demand for its services will continue.

SUNeVision's consumer-enabling and property-related arms continued to build on the Group's leading position in the property sector to give their customers a wide range of attractive services, while at the same time improving productivity.



iAdvantage continues to meet customer needs with its carrier-neutral world-class Internet data centres in Hong Kong and on the Mainland.

The company's strength lies in its solid business units providing data infrastructure and other services, together with a team of competent, professional staff. All these assets position the company well to sustain and improve its new-found profitability. SUNeVision will continue its prudent approach to finances and maintain a focus on IT-related businesses with immediate revenue prospects. Looking forward, iAdvantage will work to increase the occupancy of its data centres, and SUNeVision will pay close attention to market trends and continue to push for revenue growth and greater operational efficiency. The Group owned 84.9 per cent of SUNeVision as at 30 June 2004.

KMB is committed to providing quality service and environmentally-friendly operations to retain customers and attract new ones.

FRANCHISED BUS OPERATION

The Group holds a 33.3 per cent interest in **The Kowloon Motor Bus Holdings Limited** (KMB), a publicly-listed company in Hong Kong. KMB's net profit declined to HK$597 million in 2003. Profitability was affected by the difficult environment for its core franchised bus operations during the year, with lower patronage as a result of the outbreak of SARS and competition from new railway lines. KMB responded by enhancing efficiency, implementing more stringent cost controls and reorganizing its bus fleet. It also expanded the coverage of its bus-bus interchange programme during the year to attract more riders.

The publicly-listed **RoadShow Holdings Limited** is 73 per cent owned by KMB. It provides multimedia advertising in the out-of-home media market. The Group had an effective interest of 25.6 per cent in RoadShow as at 30 June 2004.

Route 3 (CPS) recorded stable traffic volume during the year.

TOLL ROAD

The **Route 3 (CPS) Company Limited** operates the strategic north-south, dual three-lane expressway between Yuen Long and Ting Kau under a 30-year build-operate-transfer franchise up to the year 2025. It consists of the 3.8-kilometre Tai Lam Tunnel and 6.3-kilometre Tsing Long Highway. It alleviates traffic congestion on Tuen Mun Road and the Tolo Highway, and provides a direct link between the northwest New Territories and Lok Ma Chau crossing, and the container ports in Kwai Chung, Hong Kong International Airport and the urban areas. Traffic volume remained fairly stable during the year. The Group has a 50 per cent interest in the company.

TRANSPORT INFRASTRUCTURE MANAGEMENT

The Group is involved in transport infrastructure management through its 100 per cent ownership of the **Wilson Group**. The company employs around 3,200 people and oversees a variety of transport-related businesses.

Parking – Wilson Parking is the largest car park operator in Hong Kong with 250 sites and about 72,000 parking bays. The ISO 9002-certified company is changing its access control systems to accept electronic payment as an additional convenience to customers. Wilson's Hong Kong Parking won a government contract to manage, operate and maintain the meters for 18,000 street parking spaces in September 2003.

Tunnel, bridge and toll road management – The Wilson Group manages and maintains the Shing Mun and Tseung Kwan O tunnels, the Tsing Ma Control Area and Route 3 (CPS). It also manages ten major public transport interchanges. There were over 200,000 vehicles using Wilson's Autotoll electronic toll collection tags at the end of June 2004.

Facilities management – Wilson Facilities Management has been operating and maintaining some 7,000 baggage trolleys at Hong Kong International Airport since July 2002.

Off-street driver training – The Wilson Group's 30 per cent owned Hong Kong School of Motoring is the major provider of off-street driver training in Hong Kong.

Wilson Parking is the largest car park operator in Hong Kong.

The Tsing Ma control area is part of Wilson's toll road management portfolio.

Asia Container Terminals has swapped the two berths at Terminal 9 for two existing ones at Container Terminal 8.

PORT BUSINESS

The Group owns a 28.5 per cent stake in **Asia Container Terminals Limited**. The company completed the construction of two berths at Container Terminal 9 and swapped them for two existing ones at Container Terminal 8 in mid 2004.

The **River Trade Terminal Company Limited** is 43 per cent owned by the Group. The facility occupies a 65-hectare site in Tuen Mun, with 3,000 metres of quay length and 60 berths providing a wide range of containerized and break-bulk cargo handling and storage services. It handled over 2.2 million TEUs in 2003.

The Group's 50 per cent stakes in both the **Hoi Kong Container Services Company Limited** and **Faith and Safe Transportation Company Limited** make it one of the biggest midstream operators in Hong Kong. The companies provide comprehensive midstream service and yard storage.

The Airport Freight Forwarding Centre recorded growth arising from the burgeoning air cargo market.

AIR TRANSPORT & LOGISTICS BUSINESS

The Group has interests in air cargo and logistics through a number of subsidiaries and joint-venture companies. The **Airport Freight Forwarding Centre Company Limited** (AFFC) operates a world-class international air cargo consolidation centre at Hong Kong International Airport. AFFC has over 1.3 million square feet of floor area, and its location next to two air cargo terminals and an express cargo terminal enables its customers to handle cargo in a highly efficient manner. AFFC recorded growth in both revenue and profitability during the year, as a result of Hong Kong's burgeoning air cargo market.

Sun Hung Kai Logistics Holdings Limited and **Expresslink Logistics Limited** are two wholly-owned subsidiaries of the Group that offer comprehensive air cargo support services such as storage, loading and unloading, collection and delivery, palletization and containerization.

Expresslink and the Group's 50 per cent owned joint venture **Sun Logistics Company Limited** also provide customers a total supply chain management outsourcing solution, from airfreight handling, warehouse management and inventory control, to regional distribution management and e-fulfillment.

The Group has a 33 per cent interest in **Global Airport Logistics Company Limited**, a joint venture between **SHK Logistics (China) Limited**, Beijing International Capital Airport and the Air China Group. The company currently operates a logistics centre in Beijing.

Hong Kong Business Aviation Centre Limited serves all business aircraft flying in and out of the territory. The facility in the southwest corner of the Chek Lap Kok reclamation includes a dedicated apron for aircraft parking, an executive terminal and a 23,800 square-foot hangar, all built to the highest international standards. It has seen a steady growth in the number of aircraft movements, and is now generating a profit. The Group owns 35 per cent of the company.

WASTE MANAGEMENT

The Group helps ensure a cleaner, greener environment for Hong Kong through its 20 per cent ownership of **Green Valley Landfill Limited** and **South China Transfer Limited**.

The companies are engaged in various environmental protection and waste management projects. Green Valley built and now operates a 100-hectare landfill site in Tseung Kwan O that has the capacity to handle 43 million cubic metres of waste. South China Transfer built and operates the largest refuse transfer station in Hong Kong, on Stonecutters Island. The station can process 2,875 tons of waste a day.

OTHER INVESTMENT HOLDINGS

USI Holdings Limited is a publicly-listed company in the apparel and property businesses. USI posted a net profit of HK$18.5 million in 2003, helped by a strengthening of its core businesses and an improved property market in the second half of the year. The Group holds 19 per cent interest in the company.

New-Alliance Asset Management (Asia) Limited is a 50/50 joint venture between the Group and Alliance Capital Management LP. The company's main business is investment management and unit trust and mutual fund distribution in Hong Kong. Business remained good throughout the year and generated attractive returns on capital.

The Group sold its 25 per cent stake in **Travelex Hung Kai Airport Currency Exchange Limited** at the Hong Kong International Airport to its former joint venture partner Travelex in March 2004. The decision was made after assessing the limited potential of a franchise in a single location.

The Hong Kong Business Aviation Centre is Asia's premier executive aviation support facility.