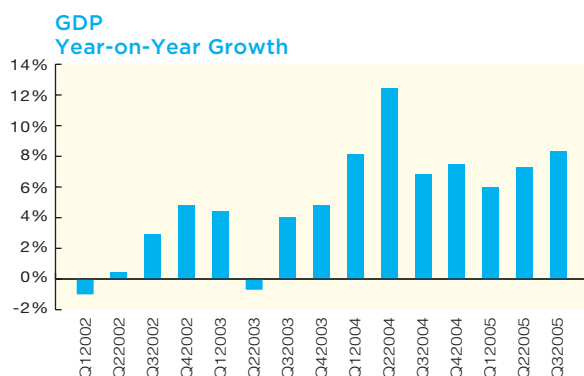


MARKET REPORT

This market report is prepared based on extracts from "Jones Lang LaSalle 2005 Hong Kong Property Market Review" published in February 2006. It intends to give general background rather than Group-specific information. For the Group's performance - see "Operations Review" section (page 22).

OVERALL

Driven by flourishing external trade and the sustained recovery in domestic consumption, the Hong Kong economy expanded strongly in 2005 with GDP increased by 7.3% during the first three quarters of 2005, after growing by 8.2% in 2004. Improving employment prospects and higher salaries have boosted consumer confidence and supported a 3.9% year-on-year growth in private consumption expenditure over the same period. Total exports rose by 11.4% in 2005. The robust economic performance sparked strong demand across all key property sectors. However, the pace of growth in rents and capital values moderated for most property types due to a higher base of comparison from the previous year. Grade A offices saw the largest rental growth among all sectors on the back of strong demand and tight supply.



Source: Census and Statistics Department

OFFICE

The robust economy fuelled demand for grade A office space in 2005. Net absorption amounted to about 2.2 million sq ft net as tenants from financial, professional services and consumer products sectors sought quality space for expansion, upgrading and relocation. On the other side of the equation, new supply was limited. AIG Tower (336,618 sq ft net) in Central was the only new supply for the year. With demand outstripping new supply, grade A office vacancy rates fell to 6.2% in Central and 6.0% in the overall market, the lowest level in five years. Soaring rents in prime areas prompted some prospective tenants to relocate to decentralised markets such as Hong Kong East, particularly towards the end of the year.

	2005	2004
Grade A Office Completion (*)	336,618	2,407,569
Central Grade A Office Vacancy Rate (#)	6.2%	6.9%
Wanchai/ Causeway Bay Grade A Office Vacancy Rate	4.5%	7.7%
Overall Grade A Office Vacancy Rate (#)	6.0%	8.3%
Change in Overall Grade A Office Rents	+75.3%	+45.3%
Change in Wanchai/ Causeway Bay Grade A Office Rents	+58.2%	+43.3%

(*) sq. ft. net
 (#) year-end figures
 Source: Jones Lang LaSalle

RETAIL

Recovering consumer confidence on the back of an improving job market and the sustained development of the tourism market bolstered the retail sector in 2005. The Hong Kong Disneyland opened but the benefit to the retail market appeared more moderate than originally anticipated. Keen demand for retail space, particularly by fashion and jewellery retailers, continued to drive rents up. Rents in prime shopping centres increased by 13.3% in 2005 after rising by 30.4% in 2004.

	2005	2004
Retail Sales by Value (*)	+6.8%	+10.8%
Visitor Arrivals	+7.1%	+40.4%
Change in High Street Shop Rents	+15.9%	+48.6%
Change in Prime Centre Rents	+13.3%	+30.4%

(*) 2004 full year, 2005 for January - November only
 Source: Jones Lang LaSalle, Census and Statistics Department and Hong Kong Tourism Board

LUXURY RESIDENTIAL

The luxury residential sales market registered milder growth in 2005 due to a higher base of comparison from the previous year, combined with cautious market sentiment amid continuous interest rate hikes.

In the leasing market, larger housing budgets and the growth of expatriate headcount continued to bring in new demand. Quality leasing stock was further squeezed as some corporate landlords have strata-titled sold previously single-owned developments. Luxury rents increased by 16.4% during the year.

	2005	2004
Changes in Luxury Residential Rents	+16.4%	+20.2%

Source: Jones Lang LaSalle

Note: This market report is prepared based on extracts from "Jones Lang LaSalle 2005 Hong Kong Property Market Review" (the "Review"). As the proper context and the conditions of such use cannot be ascertained, and the use of the extracts here and the audience was not contemplated by Jones Lang LaSalle when producing the Review, no reliance must be placed upon any aspect of the information extracted without first seeking professional advice that it is accurate and applies to your circumstances. Accordingly, no representation is made nor responsibility accepted by Jones Lang LaSalle for the accuracy or applicability of the whole or any part whatsoever for any purpose.