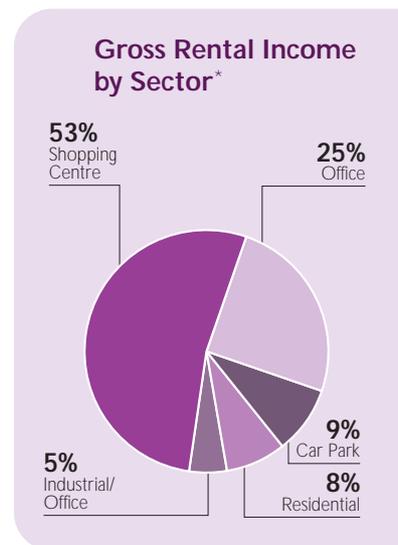
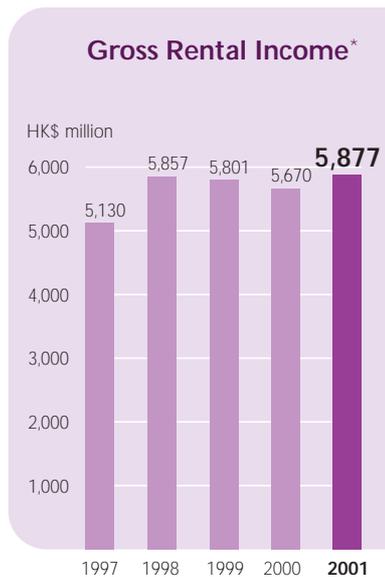


The Group witnessed an active start to leasing in the second half of 2000, but the overall leasing market slowed since the beginning of 2001. This is attributed primarily to the softening of the US economy, which resulted in lower economic growth in Hong Kong and hence a slow leasing market. Despite this, the Group's rental portfolio maintained a satisfactory level of performance. Average occupancy of the Group's investment properties in Hong Kong remained high at 95 per cent.

Excluding contributions from jointly controlled entities, gross rental income for the year under review rose marginally by 1.9 per cent to HK\$5,392 million, while net rental income remained steady at HK\$4,073 million. If the Group's share of rental income from jointly controlled entities was included, total gross rental income would have increased by 3.7 per cent to HK\$5,877 million for the year. Net rental income rose a modest 1.7 per cent to HK\$4,401 million.



* Including contributions from jointly controlled entities

Given a slowing Hong Kong economy amid the American economic downturn and recent terrorist attack in the US, the retail rental market is likely to remain challenging in the coming year. The demand for office leasing is also expected to remain soft in the short term. Over the medium to longer term, the demand for top quality office space is expected to increase as a result of China's imminent entry to the WTO and Hong Kong being an international finance and business centre.

The Group adds value to its investment portfolio by incorporating the latest technology and modern facilities in its properties and regular renovations. In addition, the Group constantly reviews its mix of investment properties with a view to divesting some non-core properties while developing quality new rental properties in order to provide a solid base for long-term growth. The Group expects rental income to remain at a satisfactory level in the coming year.

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

COMPLETED INVESTMENT PROPERTIES

Shopping Centres

The Group's shopping centre network extends over the whole territory, and remains the largest in Hong Kong with an attributable gross floor area of 7.7 million square feet. The majority of these malls are located in new towns, occupied by a carefully-planned mix of retailers, providing daily necessities to the nearby residents and are thus more resilient to the economic slowdown. With their prime and convenient locations, occupancy rates are consistently high and rents largely remain steady in the face of economic fluctuations.

Occupancy of the Group's major retail rental properties remained high at 96 per cent. The Group's flagship mall, New Town Plaza in Shatin, was fully occupied. The Group's other prominent shopping centres such as East Point City in Tseung Kwan O, Grand Century Place in Mongkok, Metroplaza in Kwai Chung and Tai Po Mega Mall were also virtually fully leased.

Status and Usage

	Attributable gross floor area in million square feet					Total
	Residential	Shopping Centre	Office	Hotel	Industrial/ Office	
Completed	1.0	7.7	5.8	0.9	3.9	19.3
Under Development	–	1.7	4.9	1.6	–	8.2
Total	1.0	9.4	10.7	2.5	3.9	27.5

The Group continued to renovate and improve the layouts and designs of its shopping malls during the year. New themes were also introduced to the shopping centres. To highlight some, a lush 'garden feel' was added to New Town Plaza III, while Yuen Long Plaza recently took on a colourful subtropical flavour.

To meet changing customer demands, the Group continues to review the tenant profile in its shopping centres to ensure a good mix. Furthermore, the Group will continue to organize innovative promotions in its malls to keep pedestrian flows high.



New Town Plaza III in Shatin completed renovations during the year.

Offices

The Group's investment portfolio includes 5.8 million square feet of prime office space. Despite a softer office rental market, the Group's office portfolio is 96 per cent let. To highlight some, One International Finance Centre in Central and Millennium City Phases 1 and 2 in Kowloon East are fully let, and Grand Central Plaza in Shatin and Metroplaza in Kwai Chung are virtually full.

To match the requirements of increasingly demanding office tenants, the Group will continue to incorporate the latest technology and sophisticated facilities in its projects.

Residential

The Group holds a total of one million square feet of residential properties for investment, a substantial proportion of which are luxury developments with comprehensive club house facilities such as Dynasty Court and Hillsborough Court in Mid-Levels and Pacific View in Island South. These properties are almost fully let, contributing satisfactory rental income to the Group.

Car Parks

The Group currently owns 24,000 parking bays, and rental income from these amounted to HK\$497 million during the year, up 4.5 per cent from the previous year. Car parks attached to commercial complexes will continue to be built so as to enhance the value of the Group's investment property portfolio.

Other Properties

The Group owns 30 cinemas in its various shopping centres, which help to attract visitors and bring business to tenants. A number of industrial and godown properties including data centres, are also kept for rent, and the Group is actively exploring opportunities to convert some of these sites to other uses such as offices.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

In order to achieve an optimal mix in its investment property portfolio, the Group intends to dispose of some non-core properties while adding quality new rental properties. In keeping with this aim, some 8.2 million square feet of new investment properties in attributable terms is under development.

Among the investment properties under development, retail space will account for 1.7 million square feet, which will be spread across the territory, while another 1.6 million square feet is designated for the development of top quality hotels and suites. Grade-A offices will account for 4.9 million square feet of the Group's new investment properties.

Millennium City Phase 3 in Kowloon East will be ready for occupation in the second half of 2002.

The majority of the investment properties under development are landmark projects, including Two International Finance Centre in Central, the Airport Railway Kowloon Station Development Packages 5, 6 and 7 and Millennium City in Kowloon East. Details of these projects are included in the Property Development section on pages 28 and 29.

Major investment properties under development include:

Shopping Centres

- Two International Finance Centre
- Shopping centre at Park Central
- Millennium City Phase 5 (418 Kwun Tong Road)
- Shopping centre in Airport Railway Kowloon Station Development Packages 5, 6 and 7

Offices

- Millennium City Phase 3 (370 Kwun Tong Road)
- Two International Finance Centre
- Millennium City Phase 5 (418 Kwun Tong Road)
- Millennium City Phase 6 (392 Kwun Tong Road)
- Offices in Airport Railway Kowloon Station Development Packages 5, 6 and 7





Top: Landmark North is one of the busiest commercial complexes in Sheung Shui.

Bottom: The office space at Metroplaza in Kwai Chung is virtually full.

Major Completed Investment Properties

Name	Location
Hong Kong Island	
Sun Hung Kai Centre	30 Harbour Road, Wanchai
World Trade Centre	280 Gloucester Road, Causeway Bay
One International Finance Centre	1 Harbour View Street, Central
Harbour Centre	25 Harbour Road, Wanchai
Central Plaza	18 Harbour Road, Wanchai
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
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
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 84.3 per cent interest.

Lease Expiry	Group's Interest (%)	Attributable gross floor area in square feet					Total
		Residential	Shopping Centre	Office	Hotel	Industrial/Office	
2127	100	–	53,400	850,600	–	–	904,000
2842	100	–	162,000	350,000	–	–	512,000
2047	47.5	–	62,000	373,000	–	–	435,000
2128	33.3	–	20,500	80,000	–	–	100,500
2047	50	–	–	700,000	–	–	700,000
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	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	–	–	–	–	268,800	268,800
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	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