

## Property Related Businesses

### Hotels

Continued growth in the local economy and expansion of the Individual Visit Scheme for mainlanders coming to Hong Kong have led to a steady rise in the number of visitor arrivals to the territory. The Group's three hotels in operation during the year under review recorded average occupancy close to 90 per cent and double-digit increases in average room rates for the year under review.

The eagerly-awaited soft opening of the luxurious **Four Seasons Hotel** and **Four Seasons Place** took place in September 2005, offering deluxe accommodation to discerning guests. There is already a high demand for the rooms and serviced suites. The facility is destined to become a market leader with its high-end food and beverage outlets, exciting indoor and outdoor recreation and outstanding service.

The **Royal Garden** achieved satisfactory growth in revenue and profit for the year. An ongoing improvement programme included further upgrades to the guest rooms with the addition of new plasma televisions. The

Royal Garden Chinese Restaurant reopened in June 2005 after a complete renovation. Response to the renovations has been very positive and business is encouraging. Prospects are promising with the anticipated increase in visitor arrivals and positive effect of the guest room enhancements.

**Royal Park Hotel** experienced a steady expansion of business during the year under review. Completion of the KCR extension to Tsim Sha Tsui and the opening of the Ma On Shan KCR line have made the hotel's convenient location even so, making it more competitive. The Royal Park's ongoing pursuit of excellence includes a series of renovations to provide guests a warm welcome and modern, elegant décor. The first stage saw the main lobby unveil a fresh new look in mid 2005.

**Royal Plaza Hotel** had an excellent year during the period under review. Improvements were made for the comfort of guests, with particular attention to the growing demand from the business sector. These included room refurbishments, upgraded amenities, even



The grand Four Seasons Hotel offers deluxe accommodation, a variety of recreation and exceptional hospitality.



The Royal Plaza's restaurants performed remarkably well during the year under review.



better service and tightened security. Wireless broadband service was also introduced in the lobby and restaurants. The Royal Plaza is optimistic about prospects for the coming year.

The World Trade Organization's sixth Ministerial Conference and the opening of the Hong Kong Disney theme park in the latter part of 2005, plus the 2006 Asia World Expo, should add up to a very exciting year for Hong Kong's tourism industry. The Group's hotels are well positioned to take advantage of these opportunities.

Two deluxe hotels will be built at the Airport Railway Kowloon Station Development. Construction of the W Hotel is underway and the opening of this luxurious, five-star, 400-room facility is slated for 2008. Another six-star luxury hotel will take up the top 12 floors of the mega tower, with 300 rooms complemented by innovative food and beverage concepts and the latest wellness and spa facilities. Guests will be treated to a spectacular view from a height of over 1,500 feet. This establishment will be managed by the Ritz-Carlton Group.



The Royal Garden's restaurants are very popular in a competitive market.



Four Seasons Place offers guests exceptional sea views and the latest facilities for an elite lifestyle in the heart of the city.

# Property Related Businesses

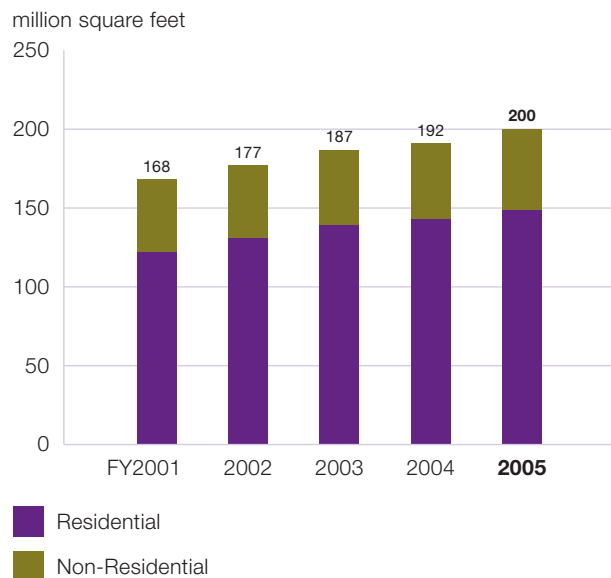
## Property Management

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 personal service in an effort to exceed residents' expectations. The two companies serve approximately 230,000 households and manage 200 million square feet of residential, commercial and industrial premises.

The two companies' unparalleled reputation in the property management industry has earned widespread recognition from many professional organizations. Hong Yip won the Customer Relationship Excellence Award – Corporate Service Team of 2004 (Property Management) for its superior service and excellent relationships with customers. It also won one of the 5th Outstanding Enterprise awards given out by *Capital* magazine, a leading financial and business publication in Hong Kong.

The company received Q-mark Certification for its unrivalled operational systems, seamless surveillance and audit processes, in recognition of its ongoing efforts to perfect customer service.

### Premises Managed by the Group



Sun Hung Kai Real Estate Agency Executive Director Jimmy Wong (left) checks operations at APM mall.



Hong Yip Director and General Manager Alkin Kwong (left) accepts Q-Mark certification from Secretary for Education and Manpower Arthur KC Li.





Kai Shing's top-quality service earned it over 100 awards in the past year. The company did particularly well in green management and landscaping, winning a gold medal in the Green Property Management awards given out by the Hong Kong Housing Authority. Another five estates managed by Kai Shing won Best Landscape awards (Private Sector) from the Leisure and Cultural Services Department.

Both companies employ advanced information technology in property management, such as intellineT and Super-eManagement, which have greatly enhanced security and helped prevent crime. They work hard to forge good customer relationships, holding recreational activities in conjunction with various owners' committees or incorporated owners during the period under review.

In addition to managing the Group's properties, Hong Yip secured 23 new management contracts during the period under review, adding 2,680 units to its diverse management portfolio. Kai Shing continued to expand into the mainland, adding Yunnan and Jiangsu to its



High-tech control systems enhance building security.

existing portfolio that spans Shenzhen, Dongguan, Shanghai, Beijing and Zhengzhou. Both companies will continue to offer the finest service to create ideal living environments for residents.



Front-line staff are trained to offer exceptional service from the heart.



Dedicated service and comfortable living environments are key elements of quality property management.

## Property Related Businesses

### Construction

The construction division completed projects encompassing six million square feet of floor area during the year, including Park Island Phase 3, Millennium City Phase 5, Chelsea Court, 18 Farm Road and Central Heights. The division's subsidiaries recorded turnover of HK\$4,041 million (on a progressive completion basis) and another HK\$1,504 million was recorded by joint-venture companies.

Major projects in progress include The Arch, Airport Railway Kowloon Station Development Packages 5, 6 & 7, Harbour Green, Severn 8, Noble Hill, Manhattan Hill, Park Island Phase 5 and the luxury houses in Ngau Tam Mei.

The division has several wholly-owned subsidiaries conducting related business: the **Everlight Engineering Company Limited**, **Everfield Engineering Company Limited**, **Eversun Engineering Company Limited** and **Aegis Engineering Company Limited**, which complement its activities. The subsidiaries provide various construction-related services to the Group and outside companies, including the supply, installation and maintenance of electrical and fire prevention systems and hiring out and servicing plant and machinery, motor vehicles and containers. The division also supplies ready-mixed concrete to the Group and external contractors through its 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 and deposit taking to support the Group's property development business. The division remained profitable despite fierce competition in the industry.



Vice Chairman & Managing Director Thomas Kwok considers site safety a top priority.



Regular seminars help raise work skills and enhance site safety.





## Insurance

**Sun Hung Kai Properties Insurance Limited** posted improved results for the period under review. Net profit before taxation was HK\$101.3 million, up from HK\$80.8 million in the previous year, despite stiff competition in the insurance market.

The company has developed different insurance products over the years to meet customers' specific needs and diversify its business. It also offers insurance products to the general public through its web site [www.shkpinsurance.com.hk](http://www.shkpinsurance.com.hk) to build its client base. The company aims to achieve steady growth in quality business by continually upgrading its service as clients become more informed and discerning.



Staff in the Construction Department constantly acquire new skills to raise building standards.



Material inspections help ensure building quality. Here, wooden doors are checked for moisture levels.



Comprehensive on-site inspections ensure highest standard of construction quality.

# Telecommunications and Information Technology

## Telecommunications

### **SmarTone Telecommunications Holdings Limited**

outperformed the Hong Kong mobile industry with growth in average revenue per user (ARPU) and service revenue, despite an increasingly competitive market. As at 30 June 2005, the company had 1,011,000 mobile customers in Hong Kong.

SmarTone-Vodafone, the company's mobile business in Hong Kong, focuses on offering differentiated and superior propositions for targeted customer segments. This approach has started to pay off. In addition to the increase in ARPU and service revenue, revenue generated from business customers, frequent travellers and multimedia users have all shown encouraging improvement.

SmarTone-Vodafone provides the most comprehensive range of mobile connectivity solutions for business customers on the move. For consumers, it focuses on the key areas of music, sports, news and games. It caters to the needs of different market segments, delivering richer experience, attractive benefits and better value.

To ensure the delivery of superior customer experience, SmarTone-Vodafone has been upgrading its key commercial enablers. All customer touch-points have undergone major improvement programmes to provide better and more consistent service. It has launched a wide range of 2G and 3G handsets to satisfy different customer needs, and is now offering the largest number of 3G handset brands in Hong Kong. Its 3G network is delivering unrivalled quality and reliability, as well as the widest 3G roaming coverage.

The cost increase brought about by the 3G launch and intensifying market competition will put pressure on SmarTone's profits in the coming year. Nonetheless, the Group is confident that SmarTone will create greater value for shareholders over the longer term with its superior, differentiated customer propositions and will continue to hold its stake in the company as a strategic investment.



SmarTone and Vodafone teamed up to create the new SmarTone-Vodafone brand, further sharpening the company's competitive edge.



## Information Technology

**SUNeVision Holdings Ltd** continued to grow profitably during the 2004/05 financial year and achieved its second year of profit, generating a net profit of HK\$154 million compared with HK\$108 million in the previous year.

Turnover was HK\$248 million and gross profit was HK\$94 million, both higher than in the previous financial year. Gross margin for the year was 38 percent, an eight per cent improvement over the previous financial year. As a result of continuous improvements in operations, operating expenditures for the year fell another 15 per cent compared to the previous financial year, to HK\$48 million.

iAdvantage strengthened its leading position among carrier-neutral data centres during the year. It continued to anticipate and meet the needs of global financial

services, telecommunications carriers, IT service providers, multinational corporations and government with its world-class Internet data centres in Hong Kong and Mainland China. Demand for iAdvantage's service is anticipated to grow. iAdvantage will strive to raise the occupancy of its data centres.

SUNeVision's consumer-enabling and property-related technology businesses also kept delivering value-added services to their customers. Productivity improved and the Group's strength in the property sector continued to provide valuable leverage.

SUNeVision's portfolio of data infrastructure and service provision businesses positions it well for sustained profitability and growth. Consumer enabling and property-related technology businesses will continue to build upon the Group's valuable relationships and seek new ways to grow.



iAdvantage continues to secure major multinational corporations as tenants in Hong Kong and on the mainland.



# Transportation, Infrastructure and Logistics

## Franchised Bus Operation

**The Kowloon Motor Bus Holdings Limited** (KMB) emerged from the difficult operating environment of 2003 and saw profit increase by 22.5 per cent to HK\$731.2 million in 2004. The operating environment remains challenging with high fuel prices and fare concessions, but KMB is coping by constantly raising productivity and maintaining stringent cost controls.

**RoadShow Holdings Limited**, a subsidiary of KMB, reported a net profit of HK\$20.1 million in 2004. The Group had an effective interest of 25.6 per cent in the company as at 30 June 2005.

## Toll Road

The Group owns 70 per cent of the **Route 3 (CPS) Company Limited** since acquiring the 20 per cent interest of a former shareholder. The company operates the strategic north-south expressway between Yuen Long and Ting Kau under a 30-year, build-operate-transfer franchise that runs to 2025.

The dual three-lane expressway consists of the 3.8-kilometre Tai Lam Tunnel and 6.3-kilometre Tsing Long Highway. It provides a direct link from the Lok Ma Chau crossing and northwest New Territories to the container ports in Kwai Chung, Hong Kong International Airport, Disney theme park and the urban areas. It helps alleviate traffic congestion on Tuen Mun Road and the Tolo Highway, providing a faster, more convenient link for commuters. Traffic volume remained fairly stable during the year under review.



KMB remains committed to raising the quality of its operations and customer service by improving its waiting areas (left) and training bus captains (right).



## Transport Infrastructure Management

The **Wilson Group** oversees the Group's transport-related operations, employing 3,000 staff.

**Parking** – Wilson Parking is the largest car park operator in Hong Kong overseeing 256 sites and about 77,000 parking bays. The ISO 9002-certified company was the first car park operator in Hong Kong to accept electronic payment, offering added convenience to its 70,000 daily customers. Wilson's Hong Kong Parking finished installing 18,000 on-street parking meters that accept Octopus card payment for the Hong Kong government during the year.

**Tunnel, bridge and toll road management** – The Wilson Group manages and maintains the Shing Mun and Tseung Kwan O tunnels, Tsing Ma Control Area and Route 3 (CPS). In addition to administering the electronic toll collection tags now used by over 205,000 vehicles, Wilson's Autotoll began offering a fleet management service based on global positioning satellites for Hong Kong cross-border transportation operations.



The Tsing Ma Control Area managed by the Wilson Group provides quality service.

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

**Off-street driver training** – The Wilson Group owns 30 per cent of the Hong Kong School of Motoring, the major provider of off-street driver training in Hong Kong.



Traffic on Route 3 (CPS) is monitored 24 hours a day from a high-tech operations centre.



Wilson Parking was the first car park operator in Hong Kong to accept electronic payment. It now manages about 77,000 parking bays.



# Transportation, Infrastructure and Logistics

## Port Business

The Group increased its holding in **Asia Container Terminals Limited** (ACT) to 57 per cent during the period under review by exercising its pre-emptive right to a 28.5 per cent stake sold by a consortium partner. This holding was acquired as part of a strategic expansion into the logistics sector, but the Group subsequently received an attractive, unsolicited offer for its stake in ACT. It sold the entire 57 per cent interest in December 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 front, providing a wide range of service. It handled 2.5 million TEUs in 2004. The company focused on improving operational efficiency during the year under review with a view to enhancing financial returns.

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 two companies provide comprehensive midstream service and yard storage.

## Air Transport & Logistics Business

The **Airport Freight Forwarding Centre Company Limited** operates a world-class airfreight facility at Hong Kong International Airport. It is close to both air cargo terminals and contains over 1.3 million square feet of warehouse space for tenants. Occupancy rose in 2005 as a result of the thriving mainland economy and booming trade.

**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, X-ray scanning, loading and unloading, collection and delivery, palletization and containerization.

The Group has a 33 per cent interest in the **Global Airport Logistics Company Limited**, a joint venture between **SHK Logistics (China) Limited**, Beijing International



The Airport Freight Forwarding Centre benefits from higher traffic at Hong Kong International Airport.



The Group is involved in Hong Kong port businesses, including the River Trade Terminal and mid-stream operations.





Capital Airport and the Air China Group. The company currently operates an airfreight logistics facility in Beijing.

#### **The Hong Kong Business Aviation Centre Limited**

runs the franchise serving business aircraft for executives flying in or out of Hong Kong. There has been an increase in the number of aircraft movements and the company generated a steady profit for the year. The executive terminal in the facility was partially renovated during the period under review, to keep it up to international standards. The Group owns 35 per cent of the company.

### **Waste Management**

The Group is concerned about the environment and working to reduce the impact of waste disposal through its 20 per cent ownership in both **Green Valley Landfill Limited** and **South China Transfer Limited**.

Green Valley Landfill operates and manages the South East New Territories Landfill in Tseung Kwan O, the largest of Hong Kong's three landfill sites in terms of waste intake averaging 8,000 tonnes per day. South China Transfer operates and manages the West Kowloon Transfer Station in the reclaimed area next to

Stonecutters Island. This is the largest of the territory's eight transfer stations in terms of capacity, currently processing about 2,600 tonnes of waste daily.

The South East New Territories Landfill and West Kowloon Transfer Station efficiently process and dispose of a large proportion of the waste generated in Hong Kong, thereby contributing to a cleaner environment.

### **Other Investment Holdings**

The Group holds a 19.9 per cent interest in **USI Holdings Limited**, a publicly-listed company engaged in the apparel and property businesses. The company's net profit increased significantly to HK\$93.3 million in 2004 from HK\$18.5 million in 2003, boosted by a continued economic recovery and surging property market.

**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's logistics subsidiaries provide a full range of cargo support services.



The Hong Kong Business Aviation Centre executive terminal was renovated to raise standards.