





## Property Related Businesses

Hong Kong's status of an international centre for trade and finance drew more business travellers and new attractions also brought in more tourists. The Group is developing two premium hotels at Kowloon Station and another quality hotel at Ting Kau. These and its existing hotels will capitalize on the hospitality industry's bright prospects.



1. Royal Park Hotel, Sha Tin
2. Royal Plaza Hotel, Mong Kok
3. Royal Garden Hotel, Tsim Sha Tsui
4. Four Seasons Hotel, Central

Four Seasons Hotel, Central



The Royal Garden Hotel with its exquisite facilities retains a competitive edge in the market.

## HOTELS

Visitor arrivals to Hong Kong have shown steady growth, both for tourists and business travellers. The Individual Visit Scheme that began in July 2003 enables people from 44 mainland cities to visit Hong Kong on their own. The government is playing an active role in developing tourist attractions to enhance the city's attractiveness as a tourist destination. The Group's hotels are well positioned to reap the benefits of Hong Kong's thriving tourism industry, and recorded high occupancy and increased average room rates during the year.

The **Four Seasons Hotel** opened in September 2005 and all rooms were available for guests by the beginning of November. It has some of the largest guest rooms in Hong Kong and first-class restaurant, banquet and spa facilities, setting a new standard for luxury hotels. The hotel's performance has exceeded expectations, and it has developed a loyal following among Hong Kong's most affluent and sophisticated consumers. The hotel has earned a variety of accolades from international travel writers in the Condé Nast Traveller's 2006 Hot List for its outstanding guestrooms, world-class spa and French restaurant Caprice.

The **Royal Garden Hotel** once again achieved good results for the year. The newly renovated Palace Rooms are already making a noticeable impact on the hotel's meeting and banquet business, and are expected to make a solid contribution to the hotel's profits. The Sabatini Ristorante Italian, Inagiku Japanese Restaurant and The Royal Garden Chinese Restaurant continue to perform well despite a competitive market.

The **Royal Plaza Hotel** continued to see business growth during the year under review. Efforts were made to expand the international market and generate more business in the corporate segment by broadening distribution channels and offering a variety of accommodation options. A flexible pricing strategy in the restaurant outlets has resulted in a substantial increase in average guest spending. Renovations are planned to enhance the quality of the guest rooms and offer greater diversity in food and beverage selections. The Executive Floor guest rooms will acquire a stylish new look and the Grand Ballroom will also be refurbished to suit market trends.



## Review of Operations Property Related Businesses

The period under review saw the **Royal Park Hotel** record growth in both gross operating profit and average room rate. The year also saw the completion of the main lobby renovations and opening of the One+One Bar, reinforcing the hotel's position as an elegant, contemporary establishment. The hotel plans to further broaden its clientele base and would actively pursue new markets by participating in major trade events in China and overseas.

With increasing visitor arrivals expected to continue, the outlook for the hotel will be promising. The Group is optimistic about the prospects for the local hospitality industry and plans to take advantage of this opportunity by building two new hotels as part of its Kowloon Station development; one to be run by the Ritz-Carlton group and the other by W Hotels. Another quality hotel in Ting Kau is also under development, offering about 700 guest rooms upon completion.



Renovation of the main lobby of Royal Park Hotel has been completed to offer enhanced service to the customers.



The Royal Plaza Hotel will be refurbished to offer elegant and contemporary accommodation.



Equipped with top-class room facilities, Four Seasons Hotel has developed a loyal clientele from most affluent and sophisticated consumers in Hong Kong.

## Property Related Businesses



Kai Shing Managing Director Jimmy Wong (right) accepts award of Best Brand Enterprise from the Director-General of Trade and Industry, Raymond Young.



Hong Yip Vice Chairman and Chief Executive Alkin Kwong (left) receives the Employees Gold Star Award from Employees Retraining Board Chairman Michael Tien.

## Property Management

The Group's member property management companies, the **Hong Yip Service Company Limited** and **Kai Shing Management Services Limited**, are on the frontline fulfilling the Group's pledge of providing the finest customer service. The companies constantly enhance the quality of service to residents and commercial tenants, and consequently, have won numerous awards for quality service and green property management. Together, they manage 207 million square feet of residential, commercial and industrial premises, including about a quarter of a million households.

Kai Shing, one of the largest property management companies in Hong Kong, won a multitude of awards from various organizations during the year under review. It won the grand prize in the Hong Kong Eco-Business awards, presented by the Environmental Campaign Committee, while also being named the Best Brand Enterprise 2006 by the Hong Kong Productivity Council and the Business Superbrands 2006.

Hong Yip got several honours in the Energy Efficiency Awards presented by the Electrical & Mechanical Services Department and won gold award with BeneVille in the Hong Kong Eco-Business Awards. Hong Yip also received plenty of awards in 2005-06 Quality Building Management Competitions, organized by different district offices.

The companies constantly innovate to provide unmatched services to the clients which are beyond their expectations. Kai Shing continues to add new features to its super-e-management system, and this year introduced a lightning detection system to improve safety in the swimming pools. Hong Yip's superior service and excellent customer relations won awards, given by the local magazines. The company also received Q-Mark quality certification for the third year running.



### Premises Managed by the Group

million square feet



Kai Shing continues to expand its business on the mainland and is currently fulfilling 16 mainland management contracts. It is all set to take on the management of the Group's Shanghai IFC and Huai Hai Zhong Road projects on completion.

Both Hong Yip and Kai Shing remain committed to providing the finest customer service and fulfilling the Group's pledge of building homes with heart.



Security team employs its professional training to offer the best service.



Comprehensive training is arranged for the staff to regularly upgrade their service standard.



Well-trained frontline staff serves residents with care from the heart.



## Property Related Businesses



The Group's continuous employment of stringent measures to ensure safety at construction sites has been widely recognized.

### Construction

The construction division completed projects totaling 3.8 million square feet of floor area during the year, including The Arch, Noble Hill, Park Island Phase 5 and Severn 8. Turnover was HK\$4,814 million (on a progressive completion basis). Another \$23 million turnover was recorded by joint venture companies.

Major projects in progress include Harbour Green, Manhattan Hill, YOHO Town Phase 2, Millennium City Phase 6, Park Island Phase 6, The Vineyard, a hotel in Ting Kau, and Kowloon Station Development. Kowloon Station Development Packages 5, 6 & 7 will include International Commerce Centre, which will be a new Hong Kong landmark rising to 490 metres.

YOHO Town Phase 1 and Millennium City Phase 5 both won top honours in the 2006 Quality Building Awards, for residential and non-residential developments. The awards are an encouraging recognition of the Group's commitment to quality.

The construction division has several wholly-owned subsidiaries carrying out related business to complement its activities. The **Everlight Engineering Company Limited, Everfield Engineering Company Limited, Eversun Engineering Company Limited, Aegis Engineering Company Limited**, and the new **Sanfield Landscape Company Limited** provide various construction-related services to the Group as well as third party clients. Services include electrical and fire prevention systems, construction plant and machinery, and landscaping. The division also supplies concrete to the Group and external contractors through associate **Glorious Concrete (HK) Limited**.



Regular training is provided to the staff to update their knowledge of latest construction technology.



### Financial Services

The financial services division made up of the **Hung Kai Finance Company Limited** and **Honour Finance Company Limited** offers home mortgages, mortgage servicing, deposit taking and other services to support the Group's property development business. The division remained profitable despite stiff competition in the sector.

### Insurance

**Sun Hung Kai Properties Insurance Limited** saw turnover increase modestly to HK\$299.8 million in the period under review. This was despite an ongoing soft market. The company posted a net profit before taxation of HK\$118.5 million, a 17 per cent increase as compared with HK\$101.3 million in the previous year. The company continued to offer a comprehensive range of products through diverse channels including direct marketing, professional intermediaries and the Internet. It responded to intense market competition by repackaging products and designing innovative new ones to tap niche markets with a view to achieving healthy growth.



International Commerce Centre showcases the Group's constant endeavours in introducing new building technology to uplift quality.



Quality construction remains the Group's top priority.



The Group's introduction of fire and water alarm system on construction sites proved effective and guaranteed smooth operation.