

# Property Investment



*International Commerce Centre, Kowloon Station*



With over six million square feet of investment property under development in Hong Kong and other projects on the mainland, the Group anticipates substantially higher rental income over the medium-to-long term. Income from shopping malls will continue increasing steadily amid a thriving retail sector. The Group will keep its malls attractive and draw consumers with regular renovations and refinements to tenant composition.







## Highlights

- **Completed investment property portfolio grew to 23.9 million square feet**
- **Portfolio 94 per cent occupied**
- **HK\$7,215 million in gross rental income including contributions from joint-venture properties, up 11.6 per cent**
- **HK\$5,245 million in net rental income, up 13.7 per cent**

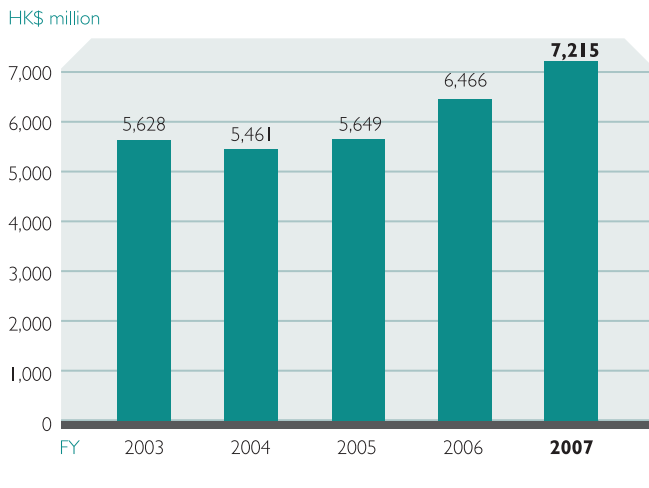


*APM in East Kowloon is the most popular mall in the district, with its unique late-night operation.*

Gross rental income including contributions from joint-venture developments increased 11.6 per cent during the year to HK\$7,215 million, while net rental income increased 13.7 per cent to HK\$5,245 million. Occupancy remained high at 94 per cent. Higher rent for renewals and new leases, particularly for the office portfolio, led to this respectable performance.

Demand for offices remained keen as a result of solid economic growth and a robust financial sector over the past year. Strong demand, particularly from the financial sector, has been driving up rents of premium offices in the core districts where new supply is limited. The leasing market of decentralized offices is more competitive as new supply is growing in those areas. Renovations were staged during the year to further raise the competitiveness of the Group' office portfolio.

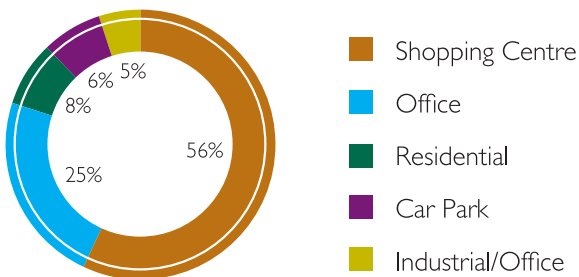
### Gross Rental Income\*



Retail rents in malls continued to grow during the year as retail sales and tourist arrivals kept rising. Consecutive years of pay rises boosted domestic consumption and tourist spending also saw continuing growth. The retail leasing market thrived in this positive market environment with demand coming from existing operators expanding and new outlets setting up in Hong Kong.

The Group has always taken the initiative in enhancing the value of its investment property portfolio to stay ahead of competitors. The conversion of nine floors at World Trade Centre in Causeway Bay from office to retail use is under way, and the existing mall will also undergo a face-lift. The whole upgrade will be completed in late 2008. The shopping malls at Landmark North in Sheung Shui and Tsuen Wan Plaza are also undergoing renovations and tenant mix reviews. Regular reviews of tenant composition and large-scale promotions help boost pedestrian flows.

### Gross Rental Income by Sector\*



The Group puts great emphasis on customer satisfaction, which helps engender loyalty and keep occupancies high. Two-way communication with tenants through surveys and day-to-day interaction enables the Group to serve them better by ensuring that their needs are understood and met.

\* Including contributions from jointly-controlled entities and associates



Major renovations have bolstered Sha Tin New Town Plaza's market-leading position.

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*World-class service and deluxe facilities ensure high occupancy for the Four Seasons Place serviced suites in Central.*

## Completed Investment Properties

### Shopping Centres

Rents rose modestly in the Group's 9.4-million-square-foot Hong Kong shopping centre portfolio during the year. APM in East Kowloon has been very popular since it opened in the second quarter of 2005, due to its unique market positioning as a late-night shopping spot appealing to young people. IFC Mall remained a major attraction in Central, and both are virtually fully let. The Group's other major malls also performed well, with Grand Century Place in Mongkok, Metroplaza in Kwai Chung and Tai Po Mega Mall almost fully occupied.

### Offices

Overall occupancy in the Group's 7.2-million-square-foot office portfolio remained high, with the offices in IFC in Central over 95 per cent let. Occupancy of the various phases of Millennium City in Kowloon East remained high despite keener competition in the district.

### Residential

The Group holds 1.2 million square feet of residential property for lease, including luxury developments like Dynasty Court in Mid-Levels. SignatureHomes oversees high-end leasing for the Group, and is dedicated to offering tenants comprehensive personal one-stop service.

### Other Properties

The Group owns about 29,400 car parking bays, which generated rental income of HK\$395 million during the year. The Group also owns a number of industrial buildings, godowns and data centres. Some of the industrial premises are being evaluated for conversion into other uses such as office.

## Investment Properties Under Development

The Group has been optimizing its investment property mix over the years, gradually increasing the proportion of high-grade projects in prime locations by building new landmark developments.

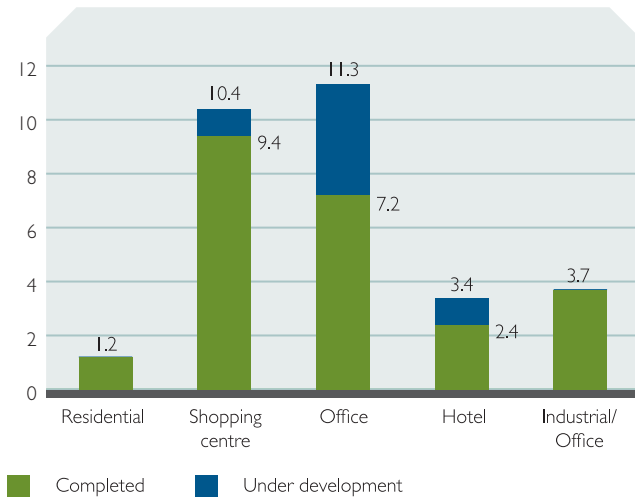
Major investment properties under development include International Commerce Centre (ICC) at Kowloon Station and the office development at Kwai Chung Town Lot 215. ICC will rise to 118 stories or 490 metres, making it the tallest building in Hong Kong and the third tallest in the world. It will have a total of 2.5 million square feet of office space. Its height, design and advanced facilities complement Hong Kong's position as an international hub for commerce, trade and finance. Designed by noted international architects, the development incorporates aesthetics and functionality.

Pre-leasing of the first phase of 900,000 square feet of offices at ICC attracted keen market interest from the financial community and other multinationals. Virtually all the office spaces have been pre-leased or at the final stage of negotiation. Morgan Stanley will become the anchor tenant in the first phase, occupying 10 floors in the building. It will move all its operations in Central to ICC by late 2008, the first among investment banks to move its headquarters to Kowloon. Leveraging on the success of the first phase, pre-leasing of the second phase of 600,000 square feet to be completed in mid 2009 has just started.



## Investment Property: Completed and Under Development

million square feet



Kwai Chung Town Lot 215 is another premium regional office project being developed by the Group. It is set to be the top-quality office development in the district, featuring state-of-the-art facilities and modern design that meets the needs of contemporary business tenants. The first phase of 600,000 square feet is under construction and scheduled for completion in mid 2008.

The Group has an attributable 6.1 million square feet of new investment properties under development. About two-thirds are slated to be grade-A office space with the latest technology and modern facilities. Retail space will account for one million square feet, while another million square feet will be up-market hotels and serviced suites.

## Major Investment Properties Under Development

### Shopping centres

- YOHO Town Phase 2 on Yuen Long Town Lot 504
- New Kowloon Inland Lot 6308, Prince Edward Road East
- Tuen Mun Station Development

### Offices

- International Commerce Centre at Kowloon Station
- Kwai Chung Town Lot 215



The recently completed Millennium City 6 strengthens the Group's office portfolio in East Kowloon.



The futuristic ICC was designed by world-renowned architects to set new standards.

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## Major Completed Investment Properties

Project	Location	Lease Expiry	Group's interest (%)	Residential
<b>Hong Kong Island</b>				
One IFC	1 Harbour View Street, Central	2047	50	—
Two IFC & IFC Mall	8 Finance Street, Central	2047	50	—
Four Seasons Hotel and Four Seasons Place	8 Finance Street, Central	2047	50	—
Sun Hung Kai Centre	30 Harbour Road, Wan Chai	2127	100	—
Central Plaza	18 Harbour Road, Wan Chai	2047	50	—
World Trade Centre	280 Gloucester Road, Causeway Bay	2842	100	—
Harbour Centre	25 Harbour Road, Wan Chai	2128	33.3	—
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road	2886	100	341,000
Pacific View (Blocks 2 & 3)	38 Tai Tam Road	2047	100	274,000
Hillsborough Court (Block 4)	18 Old Peak Road	2884	100	159,500
<b>Kowloon</b>				
Millennium City 1*	388 Kwun Tong Road	2047	100	—
Millennium City 2	378 Kwun Tong Road	2047	50	—
Millennium City 3	370 Kwun Tong Road	2047	70	—
Millennium City 5	418 Kwun Tong Road	2047	100	—
Millennium City 6	392 Kwun Tong Road	2047	100	—
Grand Century Place	193 Prince Edward Road West, Mong Kok	2047	100	—
Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok	2047	100	—
The HarbourView Place/W-Hotel	Kowloon Inland Lot 11080	2047	100	—
The Sun Arcade	28 Canton Road, Tsim Sha Tsui	2047	100	—
The Royal Garden	69 Mody Road, Tsim Sha Tsui	2127	100	—
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan	2047	50	—
APEC Plaza	49 Hoi Yuen Road, Kwun Tong	2047	100	—
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan	2047	100	—
New Tech Plaza	34 Tai Yau Street, San Po Kong	2047	100	—
Hing Wah Centre	82-84 To Kwa Wan Road	2099	100	—
<b>New Territories</b>				
New Town Plaza I	18 Shatin Centre Street, Sha Tin	2047	100	—
New Town Plaza III	2-8 Shatin Centre Street, Sha Tin	2047	100	—
New Town Tower	10-18 Pak Hok Ting Street, Sha Tin	2047	100	—
Grand Central Plaza	138 Shatin Rural Committee Road, Sha Tin	2047	100	—
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin	2047	100	—
Metroplaza Tower I & Shopping Centre	223 Hing Fong Road, Kwai Chung	2047	100	—
Landmark North	39 Lung Sum Avenue, Sheung Shui	2047	100	—
Tai Po Mega Mall	9 On Pong Road, Tai Po	2047	100	—
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan	2047	100	—
East Point City Shopping Centre	8 Chung Wa Road, Tseung Kwan O	2047	100	—
Sun Yuen Long Centre Shopping Arcade	8 Long Yat Road, Yuen Long	2047	87.5	—
Park Central Shopping Centre	Tseung Kwan O Town Lots 57 & 66	2047	57.52/25	—
Yuen Long Plaza Shopping Arcade	249-251 Castle Peak Road, Yuen Long	2047	100	—
Uptown Plaza Shopping Arcade	9 Nam Wan Road, Tai Po	2047	100	—
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan	2047	100	—
Citygate	Tung Chung Town Lot 2	2047	20	—
Royal View Hotel	353 Castle Peak Road, Ting Kau	2047	100	—
Sunhing Hungkai Godown	8 Wong Chuk Yeung Street, Sha Tin	2047	100	—
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	100	—

\* Including the attributable share in areas held by SUNeVision, in which the Group has an 84.6 per cent interest.

## Attributable Gross Floor Area (square feet)

Shopping Centre	Office	Hotel	Industrial/Office	Total
—	392,000	—	—	392,000
320,000	566,000	—	—	886,000
—	—	550,000	—	550,000
53,400	850,600	—	—	904,000
—	700,000	—	—	700,000
162,000	350,000	—	—	512,000
20,500	80,000	—	—	100,500
—	—	—	—	341,000
—	—	—	—	274,000
—	—	—	—	159,500
27,000	890,000	—	—	917,000
—	133,000	—	—	133,000
—	108,000	—	—	108,000
598,000	308,000	—	—	906,000
—	402,000	—	—	402,000
725,000	475,000	—	—	1,200,000
—	—	400,000	—	400,000
—	—	606,000	—	606,000
204,800	—	—	—	204,800
—	—	295,000	—	295,000
—	—	—	285,000	285,000
—	—	—	240,000	240,000
—	—	—	202,000	202,000
—	—	—	184,000	184,000
—	—	—	182,700	182,700
1,300,000	—	—	—	1,300,000
350,000	—	—	—	350,000
—	96,000	—	—	96,000
236,000	505,000	—	—	741,000
—	—	258,000	—	258,000
600,000	569,000	—	—	1,169,000
181,500	375,500	—	—	557,000
588,800	—	—	—	588,800
583,000	—	—	—	583,000
415,000	—	—	—	415,000
245,000	—	—	—	245,000
195,000	—	—	—	195,000
145,000	—	—	—	145,000
120,000	—	—	—	120,000
35,100	137,200	—	—	172,300
99,000	32,000	—	—	131,000
—	—	310,000	—	310,000
—	—	—	500,000	500,000
—	—	—	142,000	142,000



Nine floors of World Trade Centre in Causeway Bay are being converted to retail space and the building's façade is being upgraded for a fresh new look.



IFC Mall is fully occupied by an array of international brand-name retailers.



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## Major Completed Investment Properties

- ▲ Residential      ▲ Shopping Centre      ▲ Office  
▲ Industrial / Office      ▲ Hotel

- 01 ▲ Dynasty Court
- 02 ▲ Hillsborough Court
- 03 ▲ 63 Deep Water Bay Road
- 04 ▲ 51 & 55 Deep Water Bay Road
- 05 ▲ Pacific View
- 06 ▲ Uptown Plaza
- 07 ▲ Tai Po Mega Mall
- 08 ▲ Sun Yuen Long Centre
- 09 ▲ Yuen Long Plaza
- 10 ▲ Chelsea Heights
- 11 ▲ Tsuen Wan Plaza
- 12 ▲ New Kowloon Plaza
- 13 ▲ The Sun Arcade
- 14 ▲ East Point City
- 15 ▲ Park Central
- 16 ▲ Chi Fu Landmark
- 17 ▲ New Jade Shopping Arcade
- 18 ▲ New Town Plaza / New Town Tower
- 19 ▲ Grand Central Plaza
- 20 ▲ Landmark North
- 21 ▲ Grand City Plaza
- 22 ▲ Metroplaza
- 23 ▲ Grand Century Place
- 24 ▲ World Trade Centre
- 25 ▲ Sun Hung Kai Centre
- 26 ▲ Harbour Centre
- 27 ▲ IFC
- 28 ▲ Citygate
- 29 ▲ Millennium City Phases 1, 2, 3, 5 & 6
- 30 ▲ Central Plaza
- 31 ▲ APEC Plaza
- 32 ▲ Infotech Centre
- 33 ▲ Hing Wah Centre
- 34 ▲ New Tech Plaza
- 35 ▲ Advanced Technology Centre
- 36 ▲ Peninsula Tower
- 37 ▲ Kerry Hung Kai Godown
- 38 ▲ Sunhing Hungkai Godown
- 39 ▲ The Royal Garden
- 40 ▲ Four Seasons Hotel & Four Seasons Place
- 41 ▲ Royal Plaza Hotel
- 42 ▲ Royal Park Hotel
- 43 ▲ The HarbourView Place / W-Hotel
- 44 ▲ Royal View Hotel

