



# Harbour City



## Balance Sheet (Extract)

As at December 31, 2006

	HK\$ Million
Properties	48,765
Hotel and club (cost less depreciation)	308*
Net current liabilities	(1,140)
Other non-current liabilities	(713)
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**Net business assets (before debt)	47,220

\* Including leasehold land

\*\* Excluding deferred tax on revaluation of investment properties

## Gross Revenue

	2006 HK\$ Million	2005 HK\$ Million
Retail	1,472	1,287
Office	1,104	1,002
Serviced Apartments	202	220
Hotel and Club	944	823
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	3,722	3,332

## Operating Profit

	2006 HK\$ Million	2005 HK\$ Million
Retail	1,160	997
Office	934	843
Serviced Apartments	135	155
Hotel and Club	345	256
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	2,574	2,251

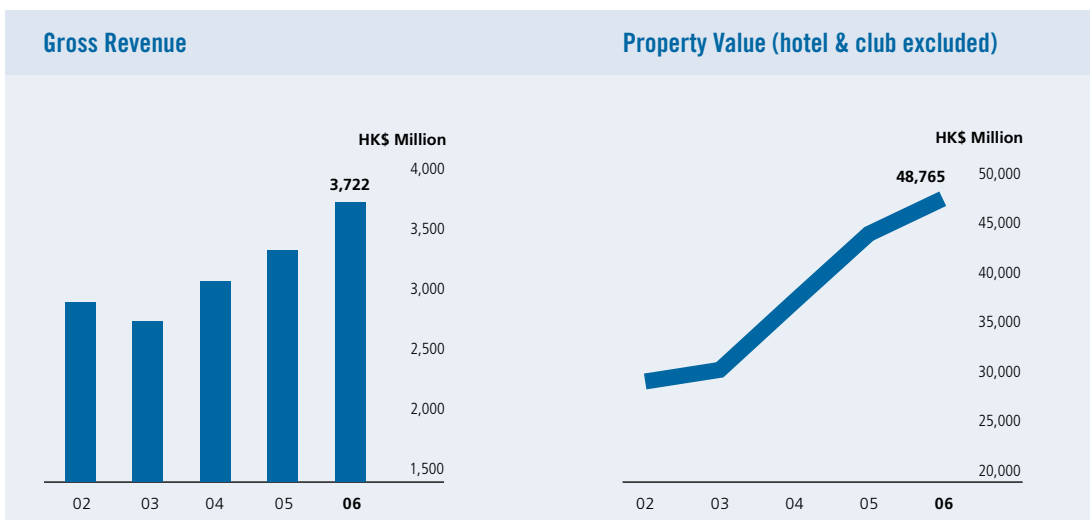
Harbour City (excluding the three hotels) was valued at HK\$48,765 million at the end of 2006, representing 41% of total Group assets

*Harbour City, the Group's core investment property asset, turned over HK\$3,722 million during 2006, for an increase of 12% over 2005; operating profit increased by 14% to HK\$2,574 million.*

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### Retail

Positive local sentiment and tourist arrivals fuelled the momentum of retail sales. Turnover of Harbour City's retail sector grew by 14% to HK\$1,472 million.



### Harbour City: Retail Tenant Mix (by Rental and Area)

As at December 31, 2006

	% by Rental	% by Area
Fashion	38.8	26.3
Leather Goods — Shoes, Bags & Related Trades	18.0	8.4
Department Stores, Confectionery Products	10.9	21.7
Jewellery, Beauty and Accessories	8.4	5.5
Restaurant, Fast Food, F&B	6.6	14.0
Sports Wear	4.9	4.1
Children's Wear & Related Trades, Toys	4.8	8.7
Electrical & Audio-visual Equipment	3.2	3.0
Others	4.4	8.3
	100.0	100.0

Positive economic data and rising wages encouraged local confidence, while total visitor arrivals to Hong Kong rose to over 25 million in 2006. These supported the strong performance of Hong Kong's retail sector.

Harbour City's retail portfolio maintained an average occupancy of 96% throughout 2006 with favourable rental growth. It remains the premier 'shoppertainment' destination in Hong Kong with over 60 million shopper-visits in 2006. Tenants at Harbour City continued to achieve impressive sales performance, with a 16% increase in average sales per square foot during the year and a record high in December to exceed HK\$1,400. The best performed retail categories included jewellery, leather goods and accessories as well as audio-visual products.

Harbour City remained one of the most sought-after shopping malls for retailers. Leasing activities were active during 2006, with the sign up of a host of celebrated names including Chanel, Coach, Fendi, Loewe and Loro Piana. New food and beverages outlets were opened to widen the spectrum of international and specialty cuisines offering of Harbour City. New names added included Cadero Grill & Oyster Bar and The Quarterdeck Kowloon.

The new 30,000 square feet retail space on Level I of Ocean Centre was opened in June 2006. Tenants including Burberry, Jean Paul Gaultier, Jil Sander and Marni further strengthened the high-end retail offering of Harbour City. Immense value was created from this space conversion, which was previously a car park. Separately, conversion of Level 4 of Ocean Centre into 37,000 square feet lettable space is well underway and completion is scheduled for the third quarter of 2007.

## Harbour City

Excellent retail management is the key to this success and the tenant-landlord partnership concept is well received by retailers. Constant trade-mix enhancement, clustering and segmenting review and powerful marketing and promotion programmes facilitated Harbour City to continuously excel amidst escalating competition in the marketplace. Many of the promotions at Harbour City, including the Christmas festive decorations, Chinese New Year celebrations, have become customary not-to-be-missed events for many locals, as well as a tourist attraction for Mainland and overseas visitors.

### Office

Strong rental reversion increased turnover for the office sector by 10% to HK\$1,104 million.

Grade A office continued to perform well in 2006. Expansion and upgrading requirements, together with the growing trend of decentralisation, sustained the demand for office space. However, signs of slower spot rental growth surfaced in the second half of 2006.

Average office occupancy at Harbour City was maintained at 95%. Retention rate for tenancies continued to be strong, with 72% of tenancies that expired in 2006 successfully retained. Major tenants including AIA, APL, Japan Airline, MGB Metro Group and Prudential Assurance renewed their leases during 2006. Average rental rate for leases signed in 2006 was 60% higher than the rates of the expired leases, thanks to the strong upsurge in spot rates in the last two years.

The advantageous location, ideal transportation network and vicinity support ensure Harbour City is a natural choice for many multinational, Mainland and local enterprises. The leasing and property management teams will strive to further improve the Harbour City premises to stay ahead in the competitive marketplace.

Office Occupancy at Harbour City			
	Gateway II	Gateway I	Others
Total GFA (sq ft)	1,570,000	1,128,000	1,737,000
Average Occupancy	98.3%	95.5%	90.8%

## Serviced Apartments

Turnover for the serviced apartments sector decreased by 8% to HK\$202 million, attributable to lower occupancy as a result of keener competition.

A sharp rise in the supply of new serviced apartments reduced average occupancy at Gateway Apartments to 75%, compared with 84% a year earlier. To maintain its competitiveness, upgrading works are being undertaken and a powerful marketing campaign was launched to strengthen Gateway Apartments' branding among senior executives from multinational corporations.

## Hotel

Discussion of the performance of the three Marco Polo hotels at Harbour City is covered under the 'Other Businesses' section on page 28.

### Harbour City: Portfolio Information

	Area (sq ft)	Gross Revenue (HK\$ Million)	Average Occupancy (%)	Year-end Valuation (HK\$ Million)	Anchor Tenants
<b>Retail</b>	1,913,000	1,472	96	17,022	Agnès b., Broadway, Burberry, Chanel, City'Super, Coach, Dolce & Gabbana, GigaSports, GOD, Gucci, Hugo Boss, Joyce, Lane Crawford, LCX, Louis Vuitton, Marks & Spencer, Prada, Salvatore Ferragamo, Toys "R" Us, Yves Saint Laurent, Zara Restaurant: Cova, Habitu The Pier, Ye Shanghai
<b>Office</b>	4,435,000	1,104	95	25,743	AIA, APL, DuPont, Fenix Group, GlaxoSmithKline, Hasbro, Hitachi, JAL, Karstadt Quelle, Marks & Spencer, Mattel, MGA Entertainment, MGB Metro Group, Nike, NYK Logistics, Polo Ralph Lauren Sourcing Co., Prudential, Simba-Toys, Sony, Sun Life, Zurich Life Insurance
<b>Serviced Apartments</b>	670,000	202	75	6,000	
<b>Hotel and Club</b>	1,360,000	944	90	4,640	

*(stated at amortised cost in financial statements)*