

# Harbour City



The largest "shoppertainment" destination in town with a 27% year-on-year growth in average sales per square foot. A record high sales per square foot of exceeding HK\$1,800 was achieved in December 2007. Renowned brands have all achieved extremely satisfactory sales performance in 2007.

**LOUIS VUITTON**

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**LV**

**LOUIS VUITTON**

**Left:** Louis Vuitton expanded its store at Harbour City to three levels, making it the second largest LV store in the world

**Right:** Tenants at Harbour City continued to achieve better-than-market sales performance during 2007



## Balance Sheet (Extract)

As at 31 December 2007

	<b>HK\$ Million</b>
Properties	55,225
Hotel and club (cost less depreciation)	299
Net current liabilities	(1,596)
Other non-current liabilities	(614)
<b>*Net business assets (before debt)</b>	<b>53,314</b>

\*Excluding deferred tax on revaluation surplus of investment properties

## Gross Revenue

	<b>2007</b>	2006
	<b>HK\$ Million</b>	HK\$ Million
Retail	<b>1,742</b>	1,472
Office	<b>1,336</b>	1,104
Serviced Apartments	<b>245</b>	202
Hotel and Club	<b>972</b>	944
	<b>4,295</b>	3,722

## Operating Profit

	<b>2007</b>	2006
	<b>HK\$ Million</b>	HK\$ Million
Retail	<b>1,408</b>	1,160
Office	<b>1,139</b>	934
Serviced Apartments	<b>167</b>	135
Hotel and Club	<b>353</b>	345
	<b>3,067</b>	2,574

Harbour City, the Group's core investment property asset, turned over HK\$4,295 million during the year for an increase of 15% over 2006, while its operating profit grew by 19% to HK\$3,067 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK\$55,225 million at the end of 2007, which represented 38% of total Group assets.

## Retail

Rising household incomes, better job security and a ten-year record low unemployment rate stimulated domestic consumption. This, together with healthy growth in tourist arrivals with increased spending in Hong Kong, has driven retail sales to record levels. Turnover of Harbour City's retail sector grew by 18% to HK\$1,742 million. Average retail occupancy at Harbour City was maintained at nearly 100% with favourable rental growth. Tenants at Harbour City continued to achieve better-than-market sales performance during 2007, with a 27% year-on-year growth in average sales per square foot. Shoppers' foot traffic for the year grew by 15% to 75 million and total sales in 2007 set a new record at HK\$11.4 billion. Average sales per square foot in December even soared to a record high to exceed HK\$1,800.

The best performing retail categories were leather goods, jewellery and watches, audio-visual products and cosmetics.

Phase I of the renovation of Ocean Centre was completed in the first quarter of 2007, with the opening of Chanel Boutique and the Italian restaurant Nobilduca. Conversion of Level 4 of Ocean Centre into 40,000 square feet of lettable space (retail and restaurants) has been substantially completed and three new restaurants offering terrace dining with panoramic seaview, namely, House of Jasmine, Kikuzen Yakiniku and Spasso were opened in the fourth quarter of 2007. In addition to the food and beverage outlets, the luxury homeware store Dento is opening its first Kowloon outlet at Harbour City, forming a luxurious lifestyle hub with two upmarket salon and spa HH Hair & Nail and Mu-lan Spa.



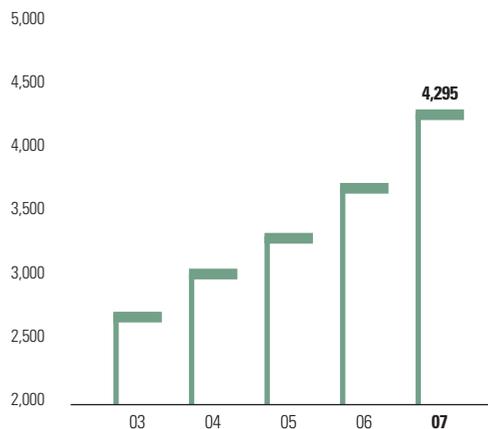
Louis Vuitton expanded its store at Harbour City to three levels covering part of the second floor of Ocean Centre as well as Gateway Arcade. It is the second largest LV store in the world after the main store at Champs Elysees in Paris, France. Renovation work was completed and the new LV store has opened in March 2008. Harbour City remained one of the most sought-after shopping malls for retailers. Leasing activities remained active with the recruitment of a host of celebrated names including Berluti, Emporio Armani, Juicy Couture, Kenzo, Lanvin, etc., while Hermès and Stella McCartney will open in 2008. Offerings at SportX and KidX have been further enriched, with the

commitment of a series of new brands debuting in Hong Kong, including Freshness Burger, NBA and Oxbow. A Thai restaurant, Sweet Basil Thai Cuisine, has been opened in the SportX area to provide shoppers with additional specialty cuisines and new excitement.

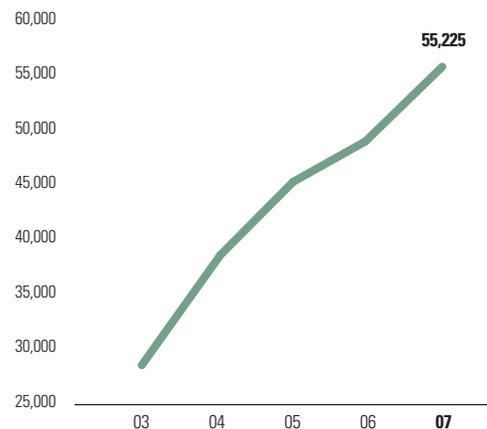
The key to the success of Harbour City hinges on excellent retail management, win-win tenant-landlord partnership concept and constant trade-mix enhancement. Good clustering and segmenting review, together with powerful marketing and promotion programmes enable Harbour City to continuously excel and stay ahead in the marketplace. Forbes Travellers has selected Harbour City as one of the top 10 Asian mega-malls in April 2007 and it reflects Harbour City's good brand and reputation it has established throughout the years. Promotions at Harbour City, including the Christmas festive decorations and Chinese New Year decorations have been popular events for many locals and an attraction to tourists from the Mainland and overseas.



### Gross Revenue (HK\$ Million)



### Property Value (hotel & club excluded) (HK\$ Million)



**Right:** Terrace dining with panoramic seaview at Level 4 of Ocean Centre

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

As at 31 December 2007

	% by Rental	% by Area
Fashion	36.9	22.2
Leather Goods — Shoes, Bags & Related Trades	18.8	13.0
Department Stores, Confectionery Products	13.2	22.3
Jewellery, Beauty and Accessories	10.7	5.8
Restaurant, Fast Food, F&B	6.2	15.8
Children's Wear & Related Trades, Toys	4.2	7.3
Sports Wear	3.6	3.6
Electrical & Audio-visual Equipment	2.7	2.5
Others	3.7	7.5
	100.0	100.0

## Office

Underpinned by strong rental reversion, turnover from the office sector grew by 21% to HK\$1,336 million.

During the year, demand for office space continued to be fueled by business expansion and upgrading requirements, together with the growing trend of decentralisation.

Office occupancy at Harbour City was committed at 95% at the end of December 2007. New lettings amounted to 626,084 square feet, about 40% of which were in-house expansions, including Benetton, City' Super, Hit Toys, Mattel, MGA, NYK Logistics, Prudential Assurance Company, Sony Computer Entertainment, etc. Others included relocation of offices from nearby buildings to the Gateway, driven by some new tenants who

embarked on their office upgrading plans. New letting transactions with very favourable rental have been recorded in Harbour City, which included recent transactions recorded at over HK\$40 per square foot at Tower 6 of Gateway II.

There has been an increasing trend of decentralisation from core areas to the Kowloon side in 2007. The Gateway portfolio has benefited from such a trend and become a preferred location for some commercial banks, including Mizuho Corporate Bank who took up over 47,000 square feet in December 2007. Such commitment forms a cluster with Citibank and a number of Taiwan banks like E.Sun Commercial Bank, Land Bank of Taiwan Co., Limited and Mega International Commercial Bank Co. Ltd.

Given the increasing toughness in renewal negotiations stemming from ample new supply in decentralised areas, lease renewal retention rate was 64% during the year. Nevertheless, owing to its advantageous location, ideal transportation network and vicinity support, Harbour City continues to be a natural choice for 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	94.6%	90.5%	90.6%

**Right:** Office occupancy remains high with 95% committed at the end of December 2007



## Serviced Apartments

Turnover for the serviced apartments grew by 21% to HK\$245 million, on the back of higher occupancy and rental rates during the year.

Strong and persistent demand from all sectors, particularly the finance sector and China business boosted both occupancy and rental rates. At

the end of December 2007, committed occupancy at Gateway Apartments soared to over 90%. Following a successful lease of a newly renovated penthouse unit with considerable rental increment, the second penthouse unit renovation was completed in December 2007 and is now being marketed at a promising rate.



## Harbour City: Portfolio Information

	Gross Floor Area (sq ft)	Gross Revenue (HK\$ Million)	Average Occupancy (%)	Year-end Valuation (HK\$ Million)
<b>Retail</b>	1,948,000	1,742	100	19,146
<b>Office</b>	4,435,000	1,336	92	29,859
<b>Serviced Apartments</b>	670,000	245	87	6,220
<b>Hotel and Club</b> <i>(stated at amortised cost)</i>	1,360,000	972	90	5,270