



DEVELOPMENT
IN MOTION



86,162



households enjoy
**Quality
Living**
in our managed
properties

226,622
sq.m.

Lettable Floor Area of
MTR Shopping Malls
to enhance customers'
shopping experience

**Development
Rights for 2 Sites** with

532,900
sq.m.

Gross Floor Area obtained in
May 2011



The Hong Kong residential property market remained active during the early months of 2011. As the year progressed, however, a number of factors began to affect sentiment and transaction volumes diminished considerably in the second half of the year.

During the year, banks began to tighten the mortgage credit available to new buyers. This development came on top of measures enacted in November 2010 by Government to raise stamp duty on properties resold within a short term, and to increase the down payments required for larger properties and for investment purposes. Government also introduced various measures to increase land supply and announced the revitalisation of the Home Ownership Scheme in a new form and the new My Home Purchase Plan. Volatility in financial markets also affected the property market. Nonetheless, low interest rates in both nominal and real terms continued to lend some support to the market.

Central prime office and retail leasing performed well for much of the year, as Hong Kong continued to benefit from the relatively strong growth in Asia. Retail premises were supported by the increasing numbers of Mainland shoppers visiting Hong Kong, while offices benefitted from expansion in Hong Kong by Mainland companies and international financial institutions. The office market turned quieter towards the end of 2011 owing to increasing uncertainty about European sovereign risk. Office take-up slowed and some office expansion plans have been postponed.

PROPERTY DEVELOPMENT

Profit from property development in 2011 was HK\$4,934 million, which comprised our share of profits from Festival City at Tai Wai and the shopping mall at Tseung Kwan O Area 56. Good results were achieved in the sale of flats of Festival City. As of 31 December 2011, approximately 73% of the 4,264 units in all three phases of Festival City had been sold. We also sold from inventory 42 units in the Palazzo in Fo Tan and 34 units in Lake Silver at Wu Kai Sha. The Palazzo in Fo Tan and Lake Silver in Wu Kai Sha had sold approximately 98% and 99% of units respectively by 31 December 2011.

A number of new developments were launched later in the year, beginning in September 2011.

These included La Splendeur, Phase C of Package Two of LOHAS Park, which commenced pre-sales in September 2011. This development met with a good response, and about 93% of the 1,168 units had been sold by year end 2011. The Wings, a property development in Tseung Kwan O

WEST RAIL LINE PROPERTY DEVELOPMENT PLAN

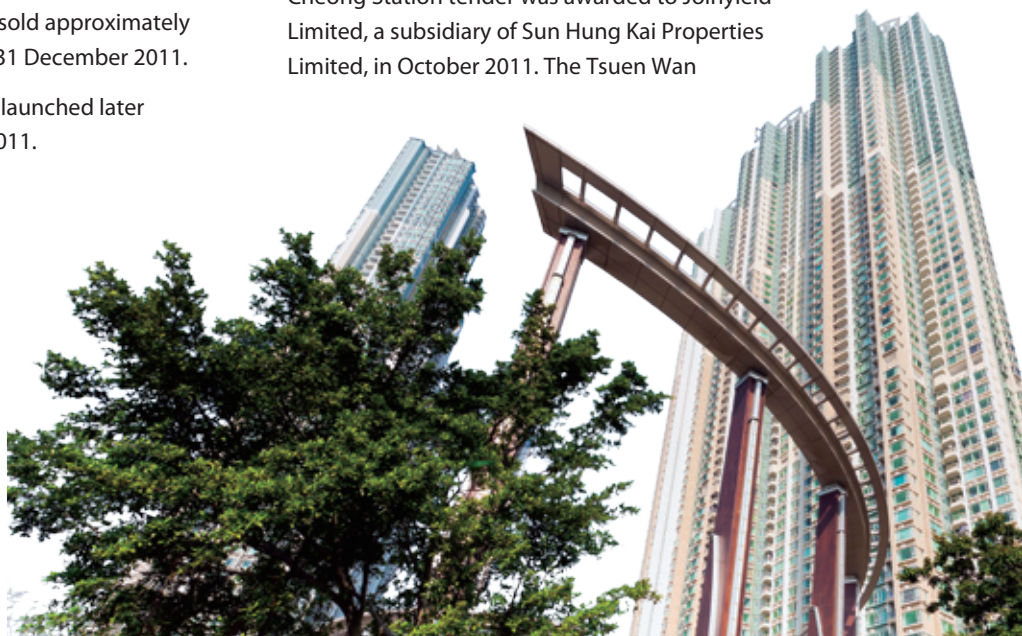
The Company acts as development agent for the West Rail property projects.

Station	Site Area (hectares)	Actual/ (Expected) Period of package tenders	Expected completion date
Tuen Mun	2.65	Aug 2006	By phases from 2012 – 2013
Nam Cheong	6.20	Oct 2011	By phases from 2017 – 2019
Tsuen Wan West (TW5) Bayside	4.29	(2012)	Under review
Tsuen Wan West (TW5) Cityside	1.34	Jan 2012	2018
Tsuen Wan West (TW6)	1.39	Under review	Under review
Tsuen Wan West (TW7)	2.37	Sep 2008	2013
Yuen Long	3.47	Under review	Under review
Long Ping (North)	0.97	(2012)	Under review
Long Ping (South)	0.84	(2012)	Under review
Tin Shui Wai	3.48	Under review	Under review
Kam Sheung Road	9.36	Under review	Under review
Pat Heung Maintenance Centre	23.56	Under review	Under review
Kwai Fong	1.92	Under review	Under review
Total	61.84		

Area 56, launched pre-sales in October 2011, with about 92% of the 1,028 units sold by year end 2011. We have no financial interest in either The Wings or La Splendeur. Pre-sales of Phase 3 of Festival City, which were launched in November 2011, met with a satisfactory response from the market resulting in about 27.5% of units sold by year end 2011.

Occupation Permits for the shopping mall at Tseung Kwan O Area 56, 'PopCorn', and Phase 3 of Festival City were issued in January and December 2011 respectively.

For development sites along the West Rail Line, where the Company acts as agent for the relevant subsidiaries of Kowloon-Canton Railway Corporation (KCRC), the Nam Cheong Station tender was awarded to Joinyield Limited, a subsidiary of Sun Hung Kai Properties Limited, in October 2011. The Tsuen Wan



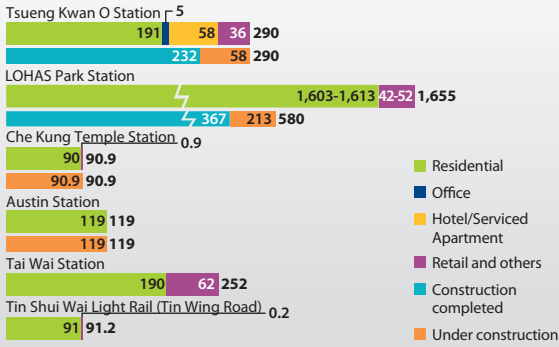
EXECUTIVE MANAGEMENT'S REPORT

PROPERTY AND OTHER BUSINESSES

PROPERTY DEVELOPMENT PACKAGES FOR OPERATING NETWORK – PLAN AND PROGRESS

Occupation Permit for the shopping mall at Tseung Kwan O Area 56 was issued in January 2011.

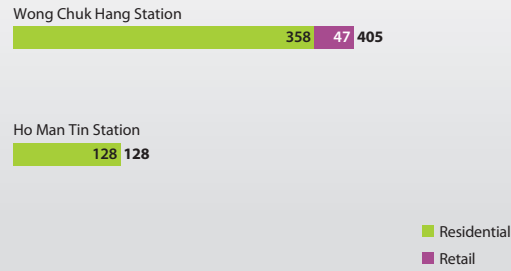
Gross floor area (thousand sq. m.)



PROPERTY DEVELOPMENT PACKAGES FOR FUTURE EXTENSIONS

The property development rights at Wong Chuk Hang Depot and Ho Man Tin were obtained by the Company in May 2011.

Gross floor area (thousand sq. m.)



West (TW5) Cityside site was awarded to Denny Investment Limited, a member company of the Chinachem Group, in January 2012. We also obtained approval for the revised Master Layout Plan for the West Rail site at Long Ping (North) from the Town Planning Board in July 2011.

Two important additions were made to our property development rights portfolio in 2011. Both the Wong Chuk Hang Depot site and the Ho Man Tin site, with a developable gross floor area of 404,500 square metres and 128,400 square metres respectively, were obtained by to the Company in May 2011 in order to allow the South Island Line (East) and the Kwun Tong Line Extension to achieve financial viability. The planning brief that sets out the development parameters for the Wong Chuk Hang Depot site, which is zoned as a Comprehensive Development Area, was endorsed by the Town Planning Board in November 2011.

PROPERTY RENTAL AND PROPERTY MANAGEMENT BUSINESSES

Revenue of our property rental and property management businesses in 2011 was HK\$3,215 million, which represents a 8.6% increase over 2010.

Total property rental income from Hong Kong and the Mainland of China rose by 9.4% over 2010 to HK\$3,016 million.

In Hong Kong, our extensive portfolio of shopping malls achieved an average 16% increase in rental reversion for the year. As at 31 December 2011, the occupancy of our 12 shopping malls in Hong Kong remained close to 100%, while the Company's 18 floors at Two International Finance Centre were fully leased out.

As at 31 December 2011, the Company's portfolio of investment properties in Hong Kong was broadly unchanged at 226,622 square metres of lettable floor area of retail properties, 41,000 square metres of lettable floor area of offices, and 11,202 square metres of property for other use. The new shopping mall in Tseung Kwan O area 56, "PopCorn" will open later this year.

We continue to invest in the fabric of our commercial space and support our tenants through a variety of effective marketing activities, which again won several awards during the year. Repartitioning works for the retail floors of Citylink Plaza were completed in October 2011. Elements won The Best Creative Buy Award (Elements/Christmas POPUP) and The Best Floral Decoration Award for Luxury Shopping Malls. Among other accolades, Telford Plaza secured the Hong Kong Service Award from East Week magazine, while MTR Malls won the Gold Prime Award for Eco-Business 2011 given by Prime Magazine and the Business Environment Council,

and the Best Creative Ad Award in the METRO Creative Awards 2011. The MTR Malls i-Catch iPhone App secured a large number of awards, including HK ICT Awards 2011: Best Ubiquitous Networking (Digital Media Marketing Campaign) Silver Award 2011 from the Hong Kong Wireless Technology Industry Association and Best Digital Entertainment (Entertainment Software) Silver Award from the Hong Kong Digital Entertainment Association.

In the Mainland of China, the Company has one shopping mall in Beijing, Ginza Mall, which has a lettable floor area of 18,398 square meters at the end of December 2011. The mall enjoyed an occupancy rate of 98% as at 31 December 2011, up from 97% at the end of 2010, and achieved an average 5% increase in rental reversion for the year.

Property management revenue in 2011 decreased by 2.0% to HK\$199 million. The decrease came as we adjusted our remuneration rate to meet the needs of an increasingly competitive market. As at the end of December 2011, the number of residential units under our management in Hong Kong had risen by 4,200 to 86,162. This increase mainly came from the addition of units from Festival City Phases 1 and 2, as well as units from Le Prime of LOHAS Park.

Our property management services continued to win recognition for their commitment to high quality standards and also to sustainability, in which LOHAS Park is a market leader. During the year, many of our managed properties obtained certification in areas such as air and water quality,

as well as waste separation, from Government departments including the Environmental Protection Department and Water Services Department.

We have also actively assisted the owners' committees at our managed residential properties to apply for funding from the Government Environmental Conservation Fund for environmental and conservation projects. In total, 31 such applications had been approved by the end of 2011. During the year, a grey water treatment system entered full operation in The Park of LOHAS Park. Incremental enhancements to energy efficiency include the expanding use of LED lighting in public common areas of the estates, more efficient fluorescent tubes, induction lamps, photo sensors to control lighting operations, variable voltage and frequency drives for lift operation and variable frequency control for air-conditioning systems.

OTHER BUSINESSES

Ngong Ping 360

The Ngong Ping cable car and associated theme village achieved a 13.0% rise in revenue in 2011 to HK\$270 million, helped by extensive marketing. Visitor numbers for the period were 1.7 million and premium Crystal Cabin rides accounted for some 32% of total rides. The cable car system maintained its reliability rate at over 99% during the year.



CORPORATE RESPONSIBILITY HIGHLIGHT

ENSURING SERVICES OF VALUE TO CUSTOMERS

Fresh water is a precious and scarce natural resource. Using water wisely can help ensure the future of our water supply, limit the effects of climate change and protect the natural environment. It can also help owners to save money in the long run.

So we take the initiative to promote water saving ideas in our managed residential properties. The Palazzo and The Grandiose both launched successful water management programmes for owners, winning the Champion and 2nd runner up prizes in the Water Conservation Design Competition (Property Management Group) organised by the Water Supplies Department.

EXECUTIVE MANAGEMENT'S REPORT

PROPERTY AND OTHER BUSINESSES

Extensive marketing, including special promotions to celebrate the Year of the Rabbit and festivals such as mid-Autumn and Christmas helped to attract visitors. Joint promotions were launched with a number of organisations, including Hong Kong International Airport, airlines and credit card companies. As in previous years, the attraction secured awards in a variety of areas, especially for customer service. These included the Certificate of Quality Tourism Service Scheme in the Retail Shops Category from the Hong Kong Tourism Board.

The cable car service is currently suspended and is targeted to reopen before Easter for bearing replacement and annual servicing inspection, following a service disruption incident in late January 2012. Preliminary findings indicated that the disruption was caused by irregular wear on the surface of a bearing's inner ring, but that would not have affected the safety of the cable car operations.

Consultancy Business

Revenue from consultancy business in 2011 was HK\$105 million, a decrease of 7.1% from 2010. The decline was due to the substantial completion of the Delhi Airport Metro Express Line project. In September 2011 we won the subcontract for the Automated People Mover Midfield Concourse Extension Project at Hong Kong International Airport. We will be responsible for the design, procurement, installation, testing and commissioning of several railway systems.

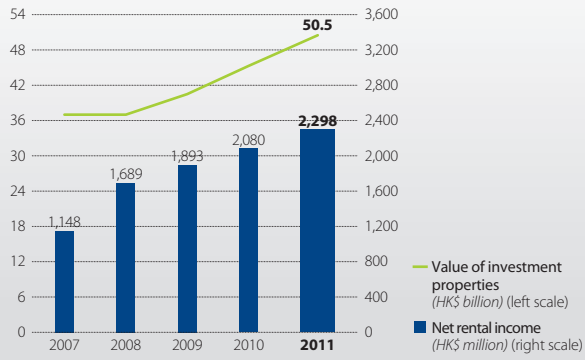
In Australia, we are finalising a subcontract with United Group Limited to support its rolling stock maintenance works in New South Wales. In October 2011, a Memorandum of Understanding (MOU) was signed with the Roads and Transport Authority of Dubai to assist it to develop a mass urban transport system, providing high quality public transport services in the Emirate. Another MOU was signed with the Macau Government in December 2011 for rail consultancy on the territory's light rail project.



Elements provides a total customer shopping experience

INVESTMENT PROPERTIES

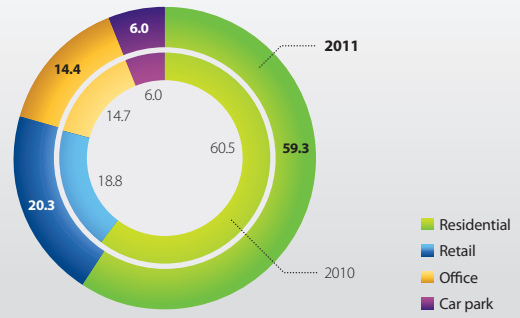
Rental income continued to grow with good rental reversion in our shopping malls.



DISTRIBUTION OF PROPERTY MANAGEMENT INCOME

At the end of the year, the Company had 86,162 residential units and 744,725 sq.m. of commercial and office space under management in Hong Kong.

(Percentage)



EXECUTIVE MANAGEMENT'S REPORT

PROPERTY AND OTHER BUSINESSES

Octopus

Octopus continues to expand its reach in the retail sector to bring Hong Kong people greater convenience in their everyday lives. By the end of 2011, over 4,500 service providers in Hong Kong had adopted the Octopus service. Active cards in circulation were 19.8 million. Average daily transaction volume and value were 12.0 million and HK\$117.2 million respectively. The Company's share of Octopus' net profit for 2011 was HK\$182 million, a 44.4% increase over 2010.

Project Management and Others

Project management income from KCRC and Government in 2011 was HK\$588 million, representing an 8.9% increase compared to 2010. The income was mainly from project management fees relating to the Entrustment Agreement for the Express Rail Link.



The number of properties under management continued to rise

PROPERTY DEVELOPMENT PACKAGES AWARDED AND TO BE COMPLETED

Location	Developers	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
Tseung Kwan O Station					
Area 56 (The Wings)	Sun Hung Kai Properties Ltd.	Residential Hotel Retail Office	80,000 58,130 20,000 5,000	Awarded in February 2007	By phases from 2011-2012
LOHAS Park Station					
Package Two (Le Prestige, Le Prime, La Splendeur)	Cheung Kong (Holdings) Ltd.	Residential Kindergarten	309,696 800	Awarded in January 2006	By phases from 2010-2012
Package Three	Cheung Kong (Holdings) Ltd.	Residential Kindergarten	128,544 1,000	Awarded in November 2007	2013
Che Kung Temple Station					
	New World Development Co. Ltd.	Residential Retail Kindergarten	89,792 193 670	Awarded in April 2008	2012
Austin Station					
Sites C and D	New World Development Co. Ltd. and Wheelock Properties Limited	Residential	119,116	Awarded in March 2010	2014
Tuen Mun Station[#]					
	Sun Hung Kai Properties Ltd.	Residential Retail	119,512 25,000	Awarded in August 2006	By phases from 2012-2013
Tsuen Wan West Station (TW7)[#]					
	Cheung Kong (Holdings) Ltd.	Residential	113,064	Awarded in September 2008	2013
Nam Cheong Station[#]					
	Sun Hung Kai Properties Ltd.	Residential Retail Kindergarten	214,700 26,660 1,000	Awarded in October 2011	By phases from 2017-2019
Tsuen Wan West Station (TW5) Cityside[#]					
	Chinachem Group	Residential Retail	66,114 11,210	Awarded in January 2012	2018

[#] as a development agent for the relevant subsidiaries of KCRC

PROPERTY DEVELOPMENT PACKAGES TO BE AWARDED NOTES 1 AND 2

Location	No. of packages envisaged	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
LOHAS Park Station	6 – 10	Residential Retail	1,025,220 – 1,035,220 39,500 – 49,500	2013-2017	2020
Tai Wai Station	1	Residential Retail	190,480 62,000	2012	2017
Tin Shui Wai Light Rail (Tin Wing Road)	1	Residential Retail	91,051 205	2012	2017
Wong Chuk Hang Station	3	Residential Retail	357,500 47,000	2015-2020	2024
Ho Man Tin Station	2	Residential	128,400	2015-2018	2021

Notes:

1. Property development packages for which we are acting as development agent for the relevant subsidiaries of KCRC are not included.
2. These property development packages are subject to review in accordance with planning approval, land grant conditions and completion of statutory processes.



A vibrant tenant mix ensures satisfied customers and good rental levels

EXECUTIVE MANAGEMENT'S REPORT

PROPERTY AND OTHER BUSINESSES

INVESTMENT PROPERTY PORTFOLIO IN HONG KONG (AS AT 31 DECEMBER 2011)

Location	Type	Lettable floor area (sq. m)	No. of parking spaces	Company's ownership interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping centre	39,462	–	100%
	Car park	–	993	100%
Telford Plaza II, Kowloon Bay, Kowloon	Shopping centre	19,329	–	50%
	Car park	–	136	50%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping centre	11,224	–	100%
	Car park	–	651	100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping centre	18,772	–	100%
	Wet market	1,216	–	100%
	Car park	–	415	100%
Maritime Square, Tsing Yi	Shopping centre	29,069	–	100%
	Kindergarten	920	–	100%
	Car park	–	220	100%
	Motorcycle park	–	50	100%
The Lane, Hang Hau	Shopping centre	2,629	–	100%
	Car park	–	16	100%
	Motorcycle park	–	1	100%
The Edge, Tseung Kwan O	Shopping centre	7,636	–	70%
	Car park	–	50	70%
G/F, No. 308 Nathan Road, Kowloon	Shop unit	70	–	100%
G/F, No. 783 Nathan Road, Kowloon	Shop unit	36	–	100%
New Kwai Fong Gardens, Kwai Chung, New Territories	Kindergarten	540	–	100%
	Car park	–	126	100%
International Finance Centre (IFC), Central, Hong Kong	– Two IFC	39,404	–	100%
	– One and Two IFC	–	1,308	51%
Phase I, Carpark Building, Kornhill, Quarry Bay, Hong Kong	Car park	–	292	100%
Roof Advertising Signboard, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Advertising signboard	–	–	100%
Ten Shop Units, First Floor Podium, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Shop unit	286	–	50%
Olympian City One, Tai Kok Tsui, Kowloon	Indoor sports hall	13,219	–	100%
Olympian City Two, Tai Kok Tsui, Kowloon	Shop unit	1,252	–	100%
Choi Hung Park & Ride Public Car Park, No. 8 Clear Water Bay Road, Choi Hung, Kowloon	Car park	–	54	51%
	Motorcycle park	–	10	51%
	Park & ride	–	450	51%
Elements, No. 1 Austin Road West, Kowloon	Shopping centre	45,344	–	81%
	Car park	–	898	81%
Cross Border Coach Terminus, No. 1 Austin Road West, Kowloon	Coach terminus	5,113	–	100%
Kindergarten, No. 1 Austin Road West, Kowloon	Kindergarten	1,045	–	81%
Plaza Ascot, Fo Tan	Shopping centre	7,596	–	100%
Royal Ascot, Fo Tan	Residential	2,784	–	100%
	Car park	–	20	100%
Ocean Walk, Tuen Mun	Shopping centre	6,111	–	100%
	Car park	–	32	100%
Sun Tuen Mun Shopping Centre, Tuen Mun	Shopping centre	8,985	–	100%
	Car park	–	421	100%
Hanford Plaza, Tuen Mun	Shopping centre	1,950	–	100%
	Car park	–	22	100%
Retail Floor and 1-6/F., Citylink Plaza, Sha Tin	Shopping centre	12,045	–	100%
Portion of G/F and portion of 1/F, MTR Hung Hom Building, Hung Hom	Office	1,596	–	100%
The Capitol, LOHAS Park*	Shop Unit	391	–	100%
Le Prestige, LOHAS Park	Kindergarten	800	2	100%

* At The Capitol, there is also a Residential Care Home for the Elderly having a gross floor area of 3,100 square metres.

INVESTMENT PROPERTY PORTFOLIO IN HONG KONG (AS AT 31 DECEMBER 2011) (CONTINUED)

All Properties are held by the Company and its subsidiaries under Government Leases for over 50 years except for:

- Telford Plaza I and II, Luk Yeung Galleria, Maritime Square, New Kwai Fong Gardens, IFC, Olympian City, Elements, Cross Border Coach Terminus and Kindergarten at No. 1 Austin Road West, Plaza Ascot, Royal Ascot, Ocean Walk, Sun Tuen Mun Shopping Centre and Hanford Plaza where the Government Leases expire on 30 June 2047
- Choi Hung Park & Ride where the Government Lease expires on 11 November 2051
- The Lane where the Government Lease expires on 21 October 2052
- The Edge where the Government Lease expires on 27 March 2052
- Citylink Plaza and MTR Hung Hom Building where the Government Leases expire on 1 December 2057
- LOHAS Park where the Government Lease expires on 16 May 2052

PROPERTIES HELD FOR SALE (AS AT 31 DECEMBER 2011)

Location	Type	Gross floor area (sq.m.)	No. of parking spaces	Company's ownership interest
Island Harbourview, No. 11 Hoi Fai Road, Kowloon	Car park	–	380	40%
Olympian City One, No. 11 Hoi Fai Road, Kowloon	Shopping centre	6,042*	–	40%
	Car park	–	330	40%
Bank of China Centre, No. 11 Hoi Fai Road, Kowloon	Car park	–	117	40%
The Arch, No. 1 Austin Road West, Kowloon	Residential	548	–	38.5%
	Car park	–	12	38.5%
Residence Oasis, No. 15 Pui Shing Road, Hang Hau, Tseung Kwan O	Motorcycle park	–	18	71%
The Grandiose, No. 9 Tong Chun Street, Tseung Kwan O	Motorcycle park	–	24	70%
Harbour Green, No. 8 Sham Mong Road, Kowloon	Car park	–	37	35%
	Kindergarten	1,299	–	50%
Coastal Skyline, No. 12 Tung Chung Waterfront Road, Tung Chung	Car park	–	146	20%
The Palazzo, No. 28 Lok King Street, Shatin	Residential	4,539	–	55%
	Retail	2,000	–	55%
	Car park	–	239	55%
	Motorcycle park	–	15	55%
Lake Silver, No. 599, Sai Sha Road, Shatin	Residential	4,295	–	93%
	Retail	3,000	–	93%
	Kindergarten	1,000	–	93%
	Car park	–	309	93%
	Motorcycle park	–	36	93%
Festival City, No. 1 Mei Tin Road, Shatin	Residential	114,515	–	31%
	Car park	–	745	31%
	Motorcycle park	–	81	31%
Le Prestige, LOHAS Park, Tseung Kwan O	Car park	–	337	52.93%

* Lettable floor area

MANAGED PROPERTIES IN HONG KONG (AS AT 31 DECEMBER 2011)

Number of managed residential flats	86,162 units
Area of managed commercial and office space	744,725 sq.m.