Lujiazui Development
Shanghai

MAINLAND BUSINESS

Selective investments in major Mainland centres like Beijing, Shanghai, Guangzhou and the Pearl River Delta will ensure that the Group rides the wave of China's emergence as the world's next economic superpower.

Sun Dong An Plaza is poised to benefit from opportunities offered by the 2008 Olympics in Beijing.

Continued economic growth on the Mainland helped produce satisfactory results from the Group's business interests there. Recent Central Government measures to curb over-investment in certain sectors of the economy should help foster sustainable economic growth over time. The Group remains optimistic about the prospects for its Mainland investments and will continue its gradual and selective Mainland forays, focusing on property in major centres like Beijing, Shanghai, Guangzhou and the Pearl River Delta.

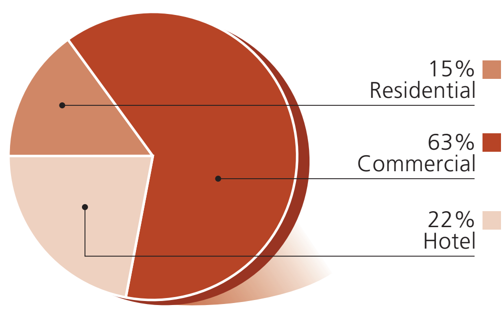
The Group completed The Woodland Phase 1 in Zhongshan and Arcadia Shanghai Phase 2 during the period under review. Both developments went on sale in 2003 and are now almost fully sold. During the year, the Group sold an attributable HK$305 million of Mainland properties. The Group held 5.4 million square feet of mainland properties under development as at 30 June 2004, plus 1.8 million square feet of completed, long-term investment properties. These are primarily offices and shopping centres in prime locations. The Group's Mainland land bank is described below.

Mainland Land Bank

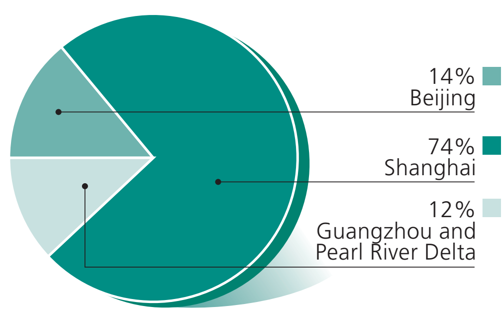
	Attributable Gross Floor Area (million square feet)			
	Residential	**Commercial**	**Hotel**	**Total**
Properties under development				
Shanghai	–	2.9	1.6	4.5
Guangzhou and Pearl River Delta	0.8	0.1	–	0.9
Subtotal	**0.8**	**3.0**	**1.6**	**5.4**
Completed investment properties				
Beijing	–	1.0	–	1.0
Shanghai	0.3	0.5	–	0.8
Subtotal	**0.3**	**1.5**	**–**	**1.8**
Total	**1.1**	**4.5**	**1.6**	**7.2**

Mainland Land Bank Composition

By Usage



By Location



MAJOR COMPLETED MAINLAND INVESTMENT PROPERTIES

The Group's 1.8 million square feet of completed mainland investment properties are primarily in Beijing and Shanghai. All these projects are in prime districts and produce satisfactory leasing revenue. Major projects include:

Sun Dong An Plaza

138 Wangfujing Dajie, Beijing (50% owned)

This is a recognized landmark and major shopping destination in Beijing, comprising 1.3 million square feet of retail space and 430,000 square feet of office space. The Group will reinforce Sun Dong An Plaza's market-leading position and prepare for the opportunities offered by the 2008 Olympic Games with a major realignment of tenant mix.

The mix of tenants and trades in Beijing's Sun Dong An Plaza will be realigned to meet changing customer needs.

Central Plaza

381 Huaihai Zhong Road, Shanghai (80% owned)

Central Plaza offers 588,000 square feet of top-quality office and retail space in the busiest commercial district in Puxi, Shanghai. Its prime location makes it the first choice of multinational companies and retailers. Both the offices and the shopping centre were fully let during the year.

Central Plaza in Shanghai is a popular address for multinational companies and retailers.

Arcadia Shanghai

88 Guang Yuan Xi Road, Shanghai (66.5% owned)

Arcadia Shanghai in Xuhui is made up of two serviced apartment blocks completed in 1999 and a new residential tower. The total gross floor area is about 640,000 square feet. The Group has retained the 300,000 square-foot Grand Mayfair block of serviced apartments as a rental property. Leasing was satisfactory with over 90 per cent occupancy during the year.

Arcadia Shanghai is one of the city's most elite residences.

Major Completed Mainland Investment Properties

				Attributable Gross Floor Area (square feet)			
Project	Location	Lease Expiry	Group's Interest	Residential	Shopping Centre	Office	Total
Sun Dong An Plaza	138 Wangfujing Dajie, Beijing	2043	50%	–	650,000	215,000	**865,000**
Central Plaza	381 Hauihai Zhong Road, Shanghai	2044	80%	–	106,000	366,000	**472,000**
Arcadia Shanghai	88 Guang Yuan Xi Road, Shanghai	2064	66.5%	265,000	18,000	–	**283,000**

The Lujiazui project will be the Group's flagship commercial development in Shanghai.

The Woodland is a low-rise development in Zhongshan, which features landscaped water gardens and lush greenery.

MAJOR MAINLAND PROJECTS UNDER DEVELOPMENT

Lujiazui, Shanghai (100% owned)

The Group will build a commercial complex on this 690,000 square-foot site in Shanghai's busy Lujiazui finance and trade zone. The development will consist of 4.5 million square feet of top-grade office, retail and hotel spaces. The entire project will be finished in phases by 2011, with the first phase scheduled for completion in 2008.

The Woodland

Zhongshan 5 Road, Zhongshan (Joint venture)

The Woodland is a low-rise development being built in phases. The first phase of 312 units covering 400,000 square feet was finished and handed over to buyers during the year. The second phase consists of 56 villas in Phase 2A and 437 apartments in Phase 2B, with a total gross floor area of 864,000 square feet. Phase 2A is scheduled for completion in the first quarter of 2005 and Phase 2B in the fourth quarter of the same year.

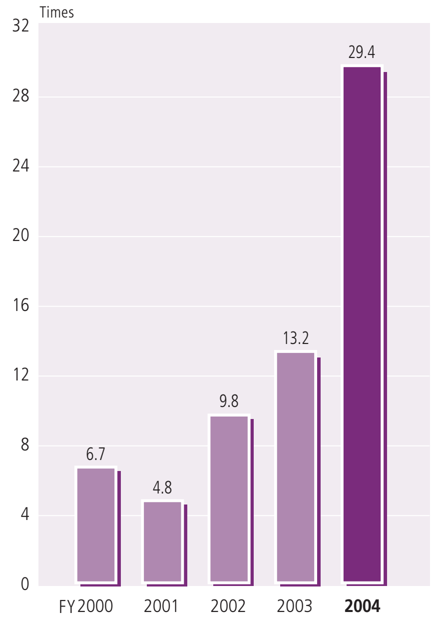
Raymond Kwok, Vice Chairman & Managing Director (middle) and Amy Kwok, Executive Director of Sun Hung Kai Properties (Financial Services) (third left), at the HK$5,500 million syndicated loan signing ceremony.

The Group has always had a consistent financial policy of maintaining low gearing, high liquidity, long debt maturities and substantial committed standby facilities. Net debt to shareholders' funds ratio was 9.4 per cent as at 30 June 2004, compared with the previous year's 10.9 per cent. The Group's interest coverage for the year, which is the ratio of profit from operations to net interest expenses before capitalization, was 29.4 times, compared to 13.2 times last year.

The Group has minimal re-financing risk and a diverse funding base, and all of its borrowings are unsecured. The Group also practices conservative management of foreign exchange and proactively manages interest rate risks. Nearly all of its borrowings are in Hong Kong dollars and no speculative derivative transactions were made during the year.

The Group arranged a HK$5,500 million five and seven-year dual-tranche fully revolving syndicated facilities at very favourable terms in March 2004. The proceeds were used to refinance short-term debts and provide general working capital. The Group's prudent financial management and strength is reflected by its credit ratings. Moody's upgraded the Group's corporate long-term foreign currency rating from 'A3' to 'A2' last year, and then to 'A1' in September 2004. The new rating is on a par with the Hong Kong government's and is the highest rating among local property companies.

Interest Cover*



** The ratio of profit from operations to net interest expenses before capitalization*

Credit Ratings

	Foreign Currency	Local Currency	Rating Outlook
Moody's	A1	A1	Stable
Standard & Poor's	A	A	Stable