Lujiazui Development,
Shanghai

Mainland China Business

The Central Government's measures to curb investment in certain sectors should provide stability and facilitate steady economic growth over the long term. The Group will adhere to its gradual approach to mainland investments, with a focus on property in major cities.

Mainland China Business

Mainland China investments produced steady returns for the Group in the period under review. The Central Government's efforts to curb investment in certain sectors should provide a better foundation for continued economic growth. The Group is optimistic about the long-term prospects for its mainland investments and acquired a prime residential site in Shanghai in June 2005. It will continue to increase its mainland investments gradually, focusing on the property business in major cities including Beijing, Shanghai, Guangzhou and Shenzhen, while investment opportunities in other major cities will also be explored.

The Group held 6.6 million square feet of mainland properties under development as at 30 June 2005, in addition to another 1.9 million square feet of completed investment properties for long-term investment. A recent restructure of the shareholding in Sun Dong An Plaza gave the Group full control over operations and management and all the revenue from the office and retail space in the project, except for about 170,000 square feet operated by the mainland partner. The restructuring brings the Group's completed mainland investment property portfolio to 2.6 million square feet, as described below.

Land Bank in the Mainland

	Attributable Gross Floor Area (million square feet)				
	Residential	**Shopping Centre**	**Office**	**Hotel**	**Total**
Properties under development					
Shanghai	1.5	0.8	1.9	1.6	5.8
Guangzhou and Pearl River Delta	0.7	-	0.1	-	0.8
Subtotal	**2.2**	**0.8**	**2.0**	**1.6**	**6.6**
Completed investment properties					
Beijing	-	1.2	0.5	-	1.7
Shanghai	0.3	0.1	0.5	-	0.9
Subtotal	**0.3**	**1.3**	**1.0**	**-**	**2.6**
Total	**2.5**	**2.1**	**3.0**	**1.6**	**9.2**

Sun Dong An Plaza is undergoing renovations and a major tenant realignment to capitalize on the 2008 Beijing Olympics.

Major Completed Mainland Properties

Sun Dong An Plaza

138 Wangfujing Dajie, Beijing (Joint Venture)

Sun Dong An Plaza is a noted landmark and major shopping destination in Beijing, with 1.3 million square feet of retail space and 430,000 square feet of offices. Following the recent shareholding restructure, the Group plans to reposition the retail area as a trendy, young shopping mall. Major renovations should be complete by 2007, in time to take advantage of the opportunities arising from the 2008 Beijing Olympics.

Central Plaza

381 Huai Hai Zhong Road, Shanghai (80% owned)

Central Plaza is in the busy commercial district of Puxi, Shanghai, and contains 588,000 square feet of top-quality offices and retail space. Its prime location makes it the preferred choice of multinational companies and retailers. Occupancy was most satisfactory during the year, with the offices 99 per cent let and the shopping centre full.

Arcadia Shanghai

88 Guang Yuan Xi Road, Shanghai (97% owned)

Arcadia Shanghai in Xuhui is made up of two serviced apartment blocks completed in 1999 and a residential tower completed in 2004. The total gross floor area is about 640,000 square feet. The Group holds the Grand Mayfair block, which has over 300,000 square feet of gross floor area, as an investment property. Leasing was satisfactory with around 90 per cent occupancy during the year.

Central Plaza in Shanghai's busy commercial district is the preferred choice for multinational companies and retailers.

Arcadia Shanghai attracts a discerning clientele of international residents.

Mainland China Business

Major Completed Mainland Investment Properties

Project	Location	Lease Expiry	Group's Interest	Attributable Gross Floor Area (square feet) Residential	Shopping Centre	Office	Total
Sun Dong An Plaza	138 Wangfujing Dajie, Beijing	2043	Joint Venture	-	1,128,000	430,000	1,558,000
Central Plaza	381 Huai Hai Zhong Road, Shanghai	2044	80%	-	106,000	366,000	472,000
Shanghai Arcadia	88 GuangYuan Xi Road, Shanghai	2064	97%	316,000	26,000	-	342,000

Major 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 include top-grade offices, retail area and hotel space. The Group is currently finalizing the plans and completion is expected in phases from 2008 onwards.

Pudong Wei Fong New Residence Street Shanghai (100% owned)

This development will contain nearly 1.5 million square feet of deluxe residences and 216,000 square feet of retail area on a 661,000-square-foot site in the most prestigious part of Pudong, with a panoramic view of the Bund. The project will proceed in phases, with completion of the first phase expected in 2008. The Group acquired the site in June 2005.

The Woodland

Zhongshan 5 Road, Zhongshan (Joint venture)

The Woodland is a low-rise development being built in phases. Phase 2A was finished in the first quarter of 2005, encompassing 56 villas with 137,000 square feet of gross floor area. Construction of Phase 2B is now under way and will be finished by the second half of 2006. Phase 2B has 438 units and a total gross floor area of about 740,000 square feet.

Planning of the Lujiazui complex, with top-grade office, retail and hotel space, is in the final stages.

The popular low-rise development The Woodland in Zhongshan has sold well.

Corporate Finance

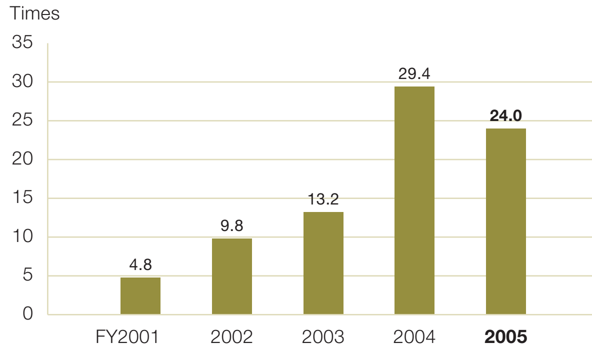
The Group maintained low gearing and high liquidity during the period under review. Its financial position is sound, with a net debt to shareholders' funds ratio of 11 per cent on 30 June 2005.

The Group has substantial undrawn committed facilities for future expansion, and all but one of its banking facilities are unsecured. The exception relates to the Route 3 (CPS) Company, which the Group recently restructured as a 70-per cent-owned joint venture, with a more favourable HK$2,400 million non-recourse loan to replace the HK$4,715 million project loan signed in 1995.

The Group's foreign exchange risk is negligible, as the vast majority of its borrowings are denominated in Hong Kong dollars. The Group has not entered into any speculative derivative transactions and it has no off-balance-sheet or contingent liabilities other than borrowings of joint-venture companies. The Group arranged a HK$12,600 million five-year, fully-revolving facility in February 2005 at very attractive terms. The proceeds have been used as stand-by funds to refinance short-term debt and for general working capital to take advantage of investment opportunities in the property market.

Moody's upgraded the Group's credit rating from 'A-2' to 'A-1 stable' in September 2004, to reflect the property market recovery and the Group's financial strength and sound business strategy. The rating is the same as the Hong Kong SAR Government's sovereign rating.

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

Vice Chairman & Managing Director Raymond Kwok (fifth left) and Executive Director of Sun Hung Kai Properties (Financial Services) Amy Kwok (third left) at a loan signing ceremony.