新鴻基地產發展有限公司
SUN HUNG KAI PROPERTIES LTD.

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4 March 2005

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BY COURIER

SUPPL

Dear Sirs

Sponsored ADR Program

We enclose a copy of the published press announcement in respect of our Interim Dividend for the year ending 30 June 2005 in pursuance to Rule 12g 3-2(b) of the Securities Exchange Act of 1934, bringing your file on our company up to date.

Yours faithfully
For and on behalf of
SUN HUNG KAI PROPERTIES LIMITED

PROCESSED
MAR 15 2005
THOMSON FINANCIAL

Ernest Lai
Company Secretary

Enc

3/15

Ocean-vessel trade key component of RTT profitability

As much as 50 per cent of revenue rides on Monday's outcome of legal battle

PORTS
Russell Barling

The $6.5 billion River Trade Terminal (RTT) could turn its first profit within three years if operating costs are cut and it is allowed to continue to serve vessels that deliver goods from south China's prolific factories to Asian markets, according to its top executive.

The company on Monday will reach the final leg of its two-year legal battle with the government over its right to serve ocean-going vessels, a valuable and growing source of revenue for the firm.

Its new general manager, Paul Wong Hok-leung, yesterday said that win or lose, the RTT's business model would change to be more in line with the low-margin business it is in and the low overheads of its rivals.

"One of my key goals is a substantial re-engineering, in simple terms substantial cost reduction," Mr Wong said. "But there's no doubt having the right to handle vessels from the intra-Asia trades would help me build a hub quicker, and turn around the company."

The government insists the provisions of the RTT's nine-year-old land grant restrict it to handling cargo shipped to and from the Pearl River Delta. It moved about 2.6 million boxes of cargo across its 49 berths last year, 900,000 of which were from the type of ocean-going vessels the government says is in contravention of the RTT lease.

As its tariffs for handling intra-Asia cargo are on average double those for the river trade, as much as 50 per cent of RTT's annual revenue may rest on the two-day trial at the Court of Final Appeal.

"On Monday, if the court says I cannot [handle intra-Asia vessels], I will stick to my job, positive that we can still operate on a break-even basis," Mr Wong said. "If I am allowed to do a small volume [of intra-Asia trade] – one million teu [20-ft equivalent boxes] – within 30 months, the RTT will turn a profit."

Mr Wong declined to reveal how much money the RTT lost last year, saying it was "more than many, many millions". Shareholder provisions in 2002 and 2003 annual reports indicate the company lost at least $450 million in those years.

Part of the problem, he said, was the fragmented nature of the river trade business made it difficult to market the RTT, which he said was the best facility of its kind in Asia.

"Because of the dispute, the RTT's marketing efforts have been undermined," he said. "The quickest way to turn the RTT into a hub for river trade is to target the intra-Asia vessels plying it.

"If I can market from that angle, it would be a far more effective way to create a hub [for the river trade]. It is the right way."

While the RTT has increased the amount of cargo it handles every year since its 1998 launch, it has largely failed to live up to its original billing when it was awarded to a RTT consortium which included Hutchison, Sun Hung Kai, Jardine Matheson, Cosco Pacific and the Bank of China (International).

Tired of the endless cash calls, Cosco and the BOC sold their 10 per cent stakes in the past two years.

Many industry watchers are beginning to see the RTT as a lost opportunity for Hong Kong, with ports across the border increasingly turning their attention to the promising river trade. The 10 billion yuan new international port at Nansha is one of several south China facilities looking to the river for additional revenue.

"Hong Kong is at the southern tip of the Pearl River Delta, Nansha is almost the geographical centre," Mr Wong said. "If the RTT does not attract the critical mass it needs to become a river trade hub in three years, we are in serious trouble."

RTT's Paul Wong says one of his key goals is substantially reducing costs.

Case of tail wagging the dog in airport privatisation talks

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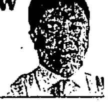

Joseph Lo

Negotiators from the airlines and the Airport Authority are set to knock heads again over the issue of the authority's proposed privatisation.

This will mark the second three-month period granted by the government for public consultation, the first having ended last month without much agreement.

But if the government thinks the discussions are moving towards finding common ground and that the second consultation period will guarantee a successful conclusion to the talks, it may have to think again.

According to the industry, the two sides are no closer on the fundamental issues than they were in December when they started.

What are these issues?

It really boils down to the question of whether the airport should balance its books on a single-till accounting system, as is the present practice, or whether to move towards a dual-till system.

While the single-till system combines all revenues and costs into one account, a two-till system separates aviation and commercial activities into two accounts.

The government's rationale for changing the system would be to separate the two activities to better assess profitability, allowing the authority to set airline charges and commercial leases separately as and when needed to make sure that both areas are independently profitable.

It is a question of the tail wagging the dog, or whether the government believes it is the other way around.

The government sees Chek Lap Kok as a big shopping mall that will generate profit from commercial activities, while the airline operations are ancillary.

But the airlines argue that no one would be shopping at the airport in the first place, if they were not there to get on a plane or to see off or greet a loved one.

There are other issues as well, but their conclusions depend on first resolving the single versus dual-till debate.

The airlines would like to see the adoption of a transparent charging mechanism at the privatised airport.

There was widespread panic in the industry when the public consultation documents hinted that user charges for airline operators may have to be significantly increased if the privatised airport is to show a reasonable rate of return.

That begs the question: just what is a reasonable rate of return and how much of that should the airlines bear?

Consumers too – air travellers and the wider community – have a right to a transparent charging mechanism, if their interests are to be protected.

Another issue will be the checks and balances that will be put in place to ensure that the authority's core focus remains on running Chek Lap Kok.

In January, the Airport Authority signed a letter of intent with Hangzhou Xiaoshan International Airport in Zhejiang province, paving the way for its first major investment outside Hong Kong.

The government has said that it is critical the airport be allowed to build alliances and partnerships with outside entities, giving it greater competitive flexibility.

That is fine, too, but it is equally important that the authority's managers are not distracted from their core business of running Chek Lap Kok for the benefit of the community.

The industry says the two sides are preparing to head back to the negotiating table.

That they are still prepared to talk is a good sign, but the worry remains that the government is set on its dual-till approach and it is just paying lip service to other considerations.

It is also worrying that the first public consultation produced no concrete proposal from the authority or the government on the charging mechanism or the future regulatory framework.

However, some light is emerging at the end of the tunnel. Airline negotiators say that the government has asked them what they would consider to be a reasonable rate of return for the airport, which is a step in the right direction.

But given that the two sides still remain so far apart, it will be a wonder if the next three months turn out to be more productive than the past three.

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Austerity steps dim Harbin Power outlook

POWER
Eric Ng in Beijing

Harbin Power Equipment's order book swelled by 30 billion yuan last year on the back of the mainland's power plant construction boom, but growth next year and in 2007 could be pared by the central government's clamp-down on unapproved projects.

Harbin Power Equipment chairman Geng Lei said the company received 40 billion yuan of new orders in 2003 and 30 billion yuan last year as companies raced to build plants to meet the nation's voracious power demand.

The firm booked 5.14 billion yuan of turnover in 2003 and 3.81 billion yuan in the first half of last year. But Beijing's recent campaign to stamp out power projects that are not economically or environmentally viable has cast a cloud over the equipment industry.

"Since the majority of our customers are the five national power generation groups and reputed firms like China Resources Power Holdings, I think the impact on us will not be major," Mr Geng said.

He said the company was still calculating the possible impact of higher iron ore prices and higher steel prices on its operations.

Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)

2004/05 INTERIM RESULTS

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's unaudited profit after tax and minority interests for the six months ended 31 December 2004 was HK$5,549 million, an increase of 95 per cent compared with the corresponding period last year. Earnings per share were HK$2.31, representing an increase of 96 per cent from last year.

DIVIDENDS

The directors have declared an interim dividend of HK$0.70 per share, a 17 per cent increase from the corresponding period last year. The dividend will be payable on 29 March 2005, to shareholders whose names appear on the Register of Members of the Company on 24 March 2005.

BUSINESS REVIEW

Property Sales

The Group sold and pre-sold an attributable HK$4,457 million worth of properties in Hong Kong over the six months ended 31 December 2004, compared with HK$6,965 million for the corresponding period in the previous year. Major projects sold during the period included Chelsea Court in Tsuen Wan and The Pacifica Phase 2 in Cheung Sha Wan. The Group has sold over HK$2,500 million worth of properties since the beginning of 2005, including the launch of Noble Hill in Sheung Shui this January.

Turnover from property sales as recorded in the accounts for the period was HK$5,130 million, compared to HK$3,019 million during the corresponding period last year. The Group completed the following three projects in the period under review and has already sold 75 per cent of the residential units.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (sq ft)
Park Island Phase 3	8 Pak Lai Road, Ma Wan	Residential	Joint venture	1,017,000
18 Farm Road	18 Farm Road, Kowloon	Residential/ Shopping centre	100	268,000
Millennium City Phase 5	418 Kwun Tong Road, Kowloon East	Office/ Shopping centre	100	1,283,000
Total				2,568,000

Land Bank

The Group remained active in replenishing its land bank through various means, adding three development sites since July 2004 as described below:

Location	Usage	Group's Interest (%)	Attributable Site Area (sq ft)	Attributable Gross Floor Area (sq ft)
New Kowloon Inland Lot 6308, San Po Kong	Residential/Shopping centre	100	137,000	1,230,000
Shun Ning Road/Po On Road, Sham Shui Po	Residential/Shopping centre	Joint venture	15,000	134,000
Lot 4038 in DD120, Yuen Long	Residential	100	62,000	308,000
Total			214,000	1,672,000

The Group currently holds a total land bank of 42.9 million square feet in Hong Kong, comprising 21.4 million square feet of completed investment properties and 21.5 million square feet of properties under development. It also holds more than 20 million square feet of agricultural land in terms of site area. The majority of the agricultural sites are in the process of land use conversion, and are located along existing or planned railways in the New Territories.

Property Development

Performance of the residential property market has been encouraging, with high transaction volume in the secondary market. Prices have remained steady in the past few months after a very strong rebound in 2004, and homebuyers remained confident in market prospects.

A better job market, record low mortgage interest rates and a high level of affordability have created a robust demand for housing, particularly for new units with up-to-date specifications, layouts, designs and facilities. The extension of building age under the Hong Kong Mortgage Corporation's insurance programme should further stimulate transactions. On the supply side, fewer new projects are being offered for pre-sale as the completion of new units will decline over the next few years.

The Group launched various top-quality residential projects for pre-sale, with a wide range of flat sizes to cater to different needs. People have rising aspirations for their homes and the Group is meeting this demand by offering different styles of living from traditional luxury to modern classic, adding extra value to new projects. The unmatched quality of the Group's properties has won wide acclaim among homebuyers and industry experts.

Strong brand recognition helped sustain premium pricing of the Group's new projects. Continued efforts have been made to enhance development margins through timely additions to the Group's land bank, strengthened branding and better project positioning and marketing campaigns.

Projects completed in the first half of the current financial year and planned completions in the second half are as follows:

	Residential	Shopping Centre	Office	Hotel	Total
	Attributable gross floor area (million square feet)				
First Half Year					
For Sale	1.2	0	0	0	1.2
For Investment	0	0.6	0.7	0	1.3
Subtotal	1.2	0.6	0.7	0	2.5
Second Half Year					
For Sale	1.9	0	0	0	1.9
For Investment	0	0.1	0	0.5	0.6
Subtotal	1.9	0.1	0	0.5	2.5
Full Year Total	3.1	0.7	0.7	0.5	5.0

Property Investment

Gross rental income for the period under review, including the Group's HK$289 million share from joint ventures, increased by two per cent to HK$2,781 million. Net rental income rose by three per cent to HK$2,026 million. Occupancy of the Group's rental portfolio stayed high at 95 per cent.

Retail sales continued to improve as a result of a broader recovery in the local economy. The Group has seen strong demand for retail space and received more leasing enquiries from existing tenants seeking to expand and from potential new entrants. The Group puts great emphasis on improving the tenant mix in its malls, intensifying promotions and providing superior service to both tenants and shoppers. Regular renovations will be carried out to maintain the quality of the Group's malls and enhance property values. The refurbishment of Tsuen Wan Plaza and Tai Po Mega Mall will commence in mid 2005.

Office rents also climbed as a result of the tight supply of new office space and an increase in demand from certain industries. This is a trend that is likely to be ongoing. Office capital values rose too, backed by liquidity flow and more business opportunities.

The landmark Two IFC tower has secured its status as the most prestigious business icon for multinational corporations and major financial institutions, while IFC mall stands out as the premier new shopping, dining and entertainment hotspot in Central. Both are almost fully let. Marketing of the serviced rental suites at IFC's Four Seasons Place is under way, and they are scheduled to be ready for occupancy in September 2005.

The Group's new APM regional shopping mall in Kowloon East is part of Millennium City Phase 5. The mall aims to provide an innovative lifestyle and entertainment experience, and its 600,000 square feet of retail space is almost fully committed to by a diverse range of merchants. The soft opening will take place soon. Phase 5 also includes about 700,000 square feet of offices. The Group originally intended to keep all of this for rent, but later sold a portion to a major local bank, which will become an anchor occupant. The remaining office space is now virtually fully let and the Group intends to retain it as a long-term investment. All of Millennium City currently enjoys high occupancy. Construction of Phase 6 will start soon, which will contain approximately 400,000 square feet of premium office accommodation with state-of-the-art facilities when it is completed in mid 2007.

Kowloon Station Development Packages 5, 6 & 7 are in Hong Kong's future commercial and cultural hub. The project will consist of residential units, offices, retail space and hotels. It will contain one million square feet of luxury flats for sale, of which 742,000 square feet will be completed in the first half of 2007. A mega tower in the project will include offices and hotels with ultra-modern facilities and superior design to meet the increasing needs of business tenants. This is scheduled for completion in phases from 2008.

The Group will keep developing new landmark projects for rent, while divesting of some non-core rental properties as and when appropriate to enhance returns.

Hotels

The number of tourists arriving from both the Mainland and overseas continued to grow impressively. The Individual Visit Scheme for Mainland travellers and the opening of the Disney theme park this September are expected to boost the tourism sector in Hong Kong further.

The Group's three hotels continued to show encouraging performance during the period under review. Overall occupancy exceeded 92 per cent on average and room rates showed satisfactory growth. The new Four Seasons hotel complex at IFC is expected to commence operations in September 2005, while two new leading hotels, Ritz-Carlton Hotel and W Hotel, are under development as part of Kowloon Station Development Packages 5, 6 & 7.

Telecommunications and Information Technology

SmarTone

SmarTone recorded a solid business performance despite a competitive market. The company's compelling products and services, best network quality and unrivalled customer service resulted in continued improvements in its customer profile and steady growth in mobile service revenue. Data services registered encouraging increases in both customer usage and revenue.

SmarTone introduced its 3G service in December 2004, and it has teamed up with Vodafone to enhance its offerings to customers and sharpen its competitive edge further. The Group is confident about SmarTone's business prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision stayed profitable during the period under review, recording a net profit of HK$41.5 million for the six months ended 31 December 2004. The company's core iAdvantage data centre business continued to entice high-calibre local and multinational customers with its superior facilities, a fact that is reflected by steadily rising occupancy rates. The company's financial position remained strong, with approximately HK$1,300 million in cash and interest-bearing securities on hand. SUNeVision is looking to strengthen its core businesses and sustain full-year profitability in the months ahead.

Transportation and Infrastructure

Kowloon Motor Bus

KMB's ongoing efforts to enhance productivity and efficiency and implement stringent cost controls have resulted in satisfactory performance, despite the continuation of fare concessions and a loss of patronage to the West Rail. The redevelopment of the former Lai Chi Kok depot into residential units will be upgraded to a luxury standard to maximize value. KMB's investments in transportation businesses on the Mainland have been progressing well, and it will keep looking for opportunities to expand its core business over the border. KMB's subsidiary the RoadShow Group is maintaining its business focus on media sales and advertising service in the greater China region.

Other Infrastructure Business

The Group increased its holding in Asia Container Terminal (ACT) to 57 per cent during the period under review by exercising its pre-emptive right to a 28.5 per cent stake that was being sold by a consortium partner. This holding was acquired as part of a strategic expansion into the logistics sector, but the Group subsequently received an unsolicited and attractive offer for its stake in ACT and sold the entire 57 per cent interest in December 2004, at a profit of about HK$1,400 million.

The Wilson Group achieved satisfactory results during the period, while both the River Trade Terminal and Airport Freight Forwarding Centre are operating smoothly. The traffic flow on Route 3 (Country Park Section) remained steady. All the Group's infrastructure projects are in Hong Kong. Given their potential to generate cash flows and good returns over time, the Group intends to hold all its interests in existing infrastructure projects as long-term investments.

Mainland Business

A buoyant Mainland economy helped the Group's property business there perform well during the period under review. Shanghai Central Plaza is fully occupied and rents for both the office and retail space have increased. The office space at Beijing's Sun Dong An Plaza was 97 per cent let, and the Group is repositioning and planning major renovations to the shopping mall to meet changing customer preferences, particularly in preparation for the Olympic Games in 2008. Plans are being finalized for the Group's office, hotel and shopping mall project in the Lujiazui finance and trade zone in Shanghai.

Corporate Finance

The Group's financial position remains strong, with low gearing and high interest coverage. Its net debt to shareholders' funds ratio remained low at 9.6 per cent, in part due to the HK$2,300 million in proceeds from the sale of the Group's interest in ACT in December 2004, as well as continuous revenue from business operations.

The Group received an overwhelming response to its self-arranged, five-year fully revolving syndicated loan finalized in February 2005. The HK$12,600 million facility set a new benchmark for competitive financing, and the proceeds will be used partly for general working capital and also to repay some existing loans. The Group has abundant stand-by banking lines on a committed basis to finance future business expansion, and all of its credit facilities are unsecured. The Group will lengthen its debt-maturity profile further, as and when appropriate.

Moody's upgraded the Group's corporate long-term foreign currency rating from 'A2' to 'A1' with a stable outlook in September 2004, to reflect the property market recovery and the Group's financial strength and sound business strategy. The new rating is the highest of any local property company and on a par with the Hong Kong government's sovereign rating.

Customer Service

The Group is dedicated to providing quality service and a lifestyle of convenience to its customers. Its two member property management companies — Kai Shing Management Services and the Hong Yip Service Company — handle every aspect of estate management with professionalism and have won numerous awards for high-quality service and outstanding landscape design.

The SHKP Club facilitates two-way communication with its 200,000 members and provides them with timely information about the Group's property projects. The Club will introduce a new category of membership to build customer loyalty and promote new property sales.

Corporate Governance

A commitment to good corporate governance is central to the Group's management philosophy. Continuous efforts are made to formalize best practices in keeping with international standards. The Group has always upheld its high standards of corporate governance with an effective board of directors, timely disclosure of information and a proactive investor-relations programme.

The Group's dedication to management excellence and corporate governance is widely recognized by internationally-renowned financial publications. *Asiamoney* ranked the Group No. 1 among the Best Managed Companies in Asia and the Best Company in Hong Kong for Corporate Governance in 2004. The Group was also named No. 1 among Hong Kong's Best Managed Property Companies in 2004 by *Euromoney* magazine.

Corporate Citizenship

Good corporate citizenship is an integral part of the Group's corporate culture. It plays an active role in supporting a broad range of charities and cultural initiatives, as well as participating in various community events. The Group also values its staff highly and offers support via a wide range of training and development programmes that give people a chance to realize their full potential. Staff are sharing the fruits of the recent economic recovery with competitive remuneration based on merit.

The Group considers environmental protection another priority and has incorporated this belief in all aspects of its business, from using environmentally-friendly designs and materials to creating green living environments. These efforts have received widespread recognition from a variety of organizations.

PROSPECTS

The momentum of global growth is likely to remain relatively steady this year, though moderated somewhat by oil price volatility and US interest rates rising at a measured pace. The Mainland economy should see a soft landing and show encouraging growth, notwithstanding the selective tightening measures still in place. Long-term prospects for the Mainland economy remain positive and the Group is confident about its Mainland investments.

A relatively stable global environment and a weak US dollar should underpin external demand. Continued positive Central Government policies, the opening of the Disney theme park later this year and increased consumer confidence should mean that Hong Kong's economy will see healthy growth this year.

The residential market in Hong Kong will continue to do well in light of favorable demand and supply conditions. Mild income growth amid the improving labour market, expected inflation and easy mortgage financing suggest that the demand for private housing will remain robust. Mortgage repayments are likely to remain highly affordable, even with the interest rate rises expected. The supply of new units is expected to decline continuously in the next few years.

The Group will still maintain a high volume of residential completions for sale over time, while it also acquires new development sites through various means including farmland conversions, public auctions and tenders. The Group's projects will offer a diverse mix of flats with stylish, innovative designs to meet changing tastes. It will also continue to take steps to enhance its premium brand name for future projects.

Higher rents for both renewals and new leases will likely continue, boosting the Group's retail rental income. Hong Kong's role as a gateway to China, CEPA and the tendency for Mainland enterprises to set up offices in the territory should bode well for office demand over time. The Group will continue with regular refurbishments to its retail and office properties, to enhance rental values and attractiveness further.

Major residential projects planned for pre-sale in the next nine months include The Arch at Kowloon Station, Olympic Station Development Package 3, Central Heights in Tseung Kwan O and Severn 8 on the Peak. Proceeds from these pre-sales and recurrent rental income will add further strength to the Group's financial position.

Approximately 65 per cent of the properties scheduled for completion in the current financial year have been sold. With a broad-based recovery expected across all types of property in Hong Kong, the Group's results for the current financial year will be encouraging barring unforeseen circumstances.

APPRECIATION

Mr Dicky Peter Yip was appointed as an independent non-executive director and a member of the Group's audit committee in September 2004. His broad experience and knowledge of business will benefit the Group's future development.

I would like to take this opportunity to express my gratitude to my fellow directors for their guidance, and to all the staff for their dedication and hard work.

Kwok Ping-sheung, Walter
Chairman & Chief Executive

Hong Kong, 3 March 2005