

To Our Shareholders

On 18 December 2001, you approved the change of your Company's name from "Amoy Properties Limited" to "Hang Lung Properties Limited". Concurrently, our parent "Hang Lung Development Company, Limited" became "Hang Lung Group Limited". This follows an earlier decision to restructure the group and put all future real estate development projects into your firm. The move rationalizes the activities of the group resulting in better usage of resources. With the exception of a few projects which for technical reasons must remain at the parent, all property related operations will be concentrated in one entity. Your board believes that it is to shareholders' benefit to capitalize on the goodwill associated with the longstanding and highly recognizable name of "Hang Lung".

Results and Dividend

In the six months ended 31 December 2001, turnover fell 23% to \$1,242.6 million. Net profit attributable to ordinary shareholders retreated by 24% to \$633.9 million. Your board declares an interim dividend of 11 cents per ordinary share payable on 28 March 2002 to ordinary shareholders of record on 22 March 2002. This is the same amount paid a year ago.

Operations Review

In the six months under review, we continue to sell apartments at Garden Terrace. The fact that less units were sold and at slightly lower prices than a year ago, explains the drop in total revenue as well as net profit.

Gross rent and net income from Hong Kong leasing activities both stood at about the same levels as the year before. Since our two Shanghai projects — The Grand Gateway and Plaza 66 — are now contributing, total rental income has risen.

Not counting the insignificant industrial sector, the overall occupancy rate of our Hong Kong portfolio was slightly over 92%. Offices and high end residential have been hurt more than retail space. This is a reflection of market reality as well as the fact that shopping centers can be more proactively managed. We constantly alter trade and tenant mix as market sentiments change.

Prospects

Looking ahead, we remain cautious about development projects. On the one hand, as a result of prudent acquisitions in 1999 and 2000 we are well positioned in the best segment of the business — we own some of the best in-town residential land at very competitive prices. On the other, we are in no hurry to buy more. Land supply in coming years is plentiful while demand is still weak. Although transaction volume has picked up somewhat, prices have not. The former is perhaps not surprising given an all-time low mortgage rate of around 2.65%, a ten-month government moratorium to sell subsidized housing, and every conceivable sales gimmick employed by developers. Stagnating prices, however, point to a lack of buyer confidence which is a cause for concern.

Office and high end apartment rental will remain lethargic for some time to come. There is nothing in the horizon to change that. In fact, new supply will rise in the coming years. The only bright spot in the leasing front comes from Shanghai.

Since there will not be many property sales activities beyond Garden Terrace until the second half of 2002, profit for the present fiscal year is expected to underperform that of the 12-months before.

On Behalf of the Board

Ronnie C. Chan

Chairman

Hong Kong, 1 March 2002