RESULTS AND DIVIDEND

In the six months ended 31 December 2002, turnover increased 14.6% to $1,851 million. Net profit attributable to shareholders decreased 1.7% to $295.4 million. Earnings per share was 22.3 cents, 1.8% lower than the previous period. Your Board has declared an interim dividend of 12 cents per share payable on 25 April 2003 to shareholders of record on 17 April 2003. This is the same as last period.

OPERATIONS REVIEW

Turnover increased by almost 15% as a result of sales of the newly completed development New Haven in Tsuen Wan. Profit margin however was very thin. At the more profitable project Garden Terrace which was previously held through our major subsidiary Hang Lung Properties (HLP) for investment purposes, less units were sold than the comparable period before. As a result, profit from sales activities actually shrunk.

Property leasing, again through HLP, fared better as both turnover and profit held steady compared to the year before. The numbers for Hong Kong fell slightly while those for Shanghai improved significantly.

In October, we sold our shares in Grand Hotel Holdings to HLP. The transaction was enthusiastically endorsed by shareholders of all three public companies. This is a sign that a win-win formula was found for all parties.

PROSPECTS

Last November, the government announced a 9-point package to hopefully restore confidence in and stabilize the property market. Eight of the measures were nothing more than the removal of previously anti-free market practices. Although they are welcomed, the nature of the changes dictates that they will not bring quick results. The ninth measure of yet another land sale moratorium – this time for 13 months as opposed to the one in July 1998 which lasted 9 months – is altogether anti-free market. The measure is not fair to prudent companies like ours which did not chase prices. Nevertheless, it is perhaps the only one of the nine measures which can prevent real estate prices from falling further. Whatever the case, our view is that the overall effect of the package is minimal, but that the market is on balance better off with it than without.

The fact of the matter is that the prolonged and severe drop in property prices is only one of the contributing factors to Hong Kong's economic woes. Deflation, for example, is recalcitrant. The Asian Crisis has severely damaged our economy just as it has done to our neighbors including Taiwan and Singapore. Many more years will be required for its effects to work themselves through. Recent slowdowns in all our major trading partners – Europe, Japan and the U.S. – are adding salt to the wound. We should brace ourselves for a much longer winter than was previously thought by some.

Ronnie C. Chan
Chairman

Hong Kong, 20 February 2003