



SUN HUNG KAI PROPERTIES FY2002/03 INTERIM RESULTS

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Interim Results Highlights



Interim Results Highlights

6-month ended 31 December	<u>2002</u>	<u>2001</u>	<u>change</u>
Net profit (HK\$ m)	3,740	3,177*	▲ 18%
Earnings per share (HK\$)	1.56	1.32	▲ 18%
Interim dividend per share (HK\$)	0.60	0.55	▲ 9%

** Including an exceptional provision for technology investments and restructuring costs from SUNeVision, amounting to HK\$473m*



Breakdown of Interim Profits (HK\$ million)

6-month ended 31 December	<u>2002</u>	<u>2001</u>	<u>change</u>
Property sales	1,485	1,510	↓ 2%
Rental income	2,105	2,259	↓ 7%
Hotel operation	111	94	↑ 18%
Other businesses	724	651	↑ 11%
Other revenue	53	196	↓ 73%
Unallocated administrative expenses	(248)	(248)	unchanged
Net finance cost - Group	(125)	(317)	↓ 61%
- Associates and joint ventures	(136)	(175)	↓ 22%
Profit on disposal of investments	321	23	↑ 13 times
Provision for impairment of investments and restructuring costs from SUNeVision	-	(473)	N/A
Profit before tax	<u>4,290</u>	<u>3,520</u>	↑ 22%
Net Profit (HK\$ m)	<u><u>3,740</u></u>	<u><u>3,177</u></u>	↑ 18%



Projects Completed During 1H FY2002/03

Project	Usage	Group' s Interest %	Attributable GFA (square feet)
Park Island Phase I	R/S	Joint Venture	1,851,000
Park Central Phase I	R/S	57.52 / 25	844,000
Villa by the Park	R	100	439,000
Aegean Coast	R/S	25	312,000
1 Ho Man Tin Hill	R	Joint Venture	158,000
1 Po Shan Road	R	60	72,000
Kelletteria	R	100	14,000
Millennium City Phase 3	O	70	108,000
Total Gross Floor Area			3,798,000

Key : R = Residential, S = Shopping Centre, O = Office



Business Highlights for FY2002/03 Interim Results

- Completed 3.4 million square feet of residential properties
 - about 90% sold
- Development margin during the period was 16%
 - Excluding Park Island Phase 1, which is a low margin project, average development margin exceeded 30%
- Rental portfolio 92% occupied
- Negative rental reversion primarily came from office sector
- Both SmarTone and SUNeVision turned profitable
- Gain from disposal of two non-core commercial complexes amounting to HK\$303m



Financial Highlights

<u>Group Level (HK\$ million)</u>	<u>31 December 2002</u>	<u>30 June 2002</u>
Net debt	16,483	20,057
Net debt to shareholders' funds ratio	12.9%	15.6%
Shareholders' funds	128,180	128,598
Net asset per share	HK\$53.4	HK\$53.6

- The Group has not taken any speculative positions in derivatives, and it has no off-balance sheet or contingent liabilities other than borrowings of an associate and joint venture companies



Business Review



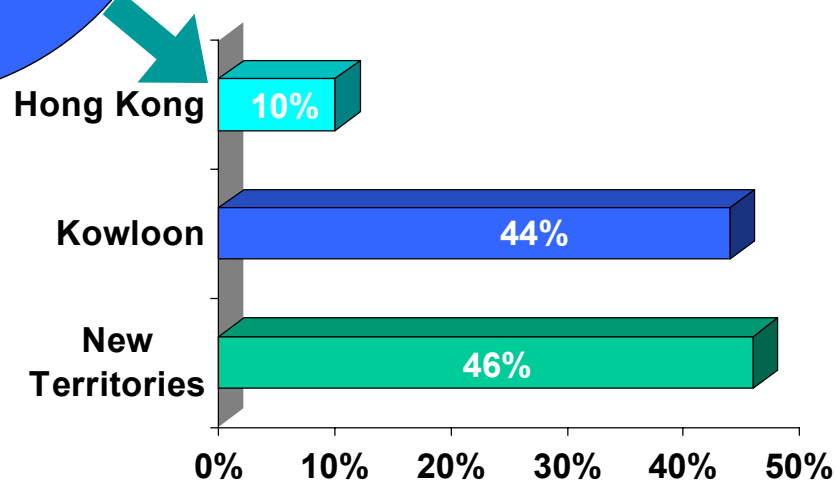
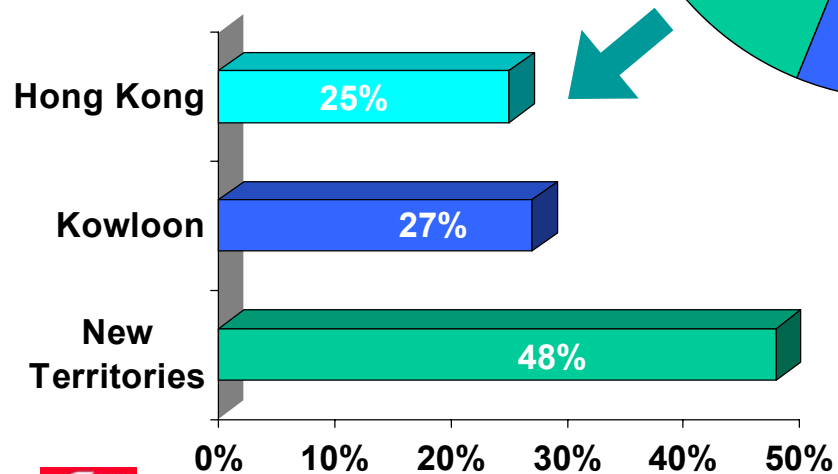
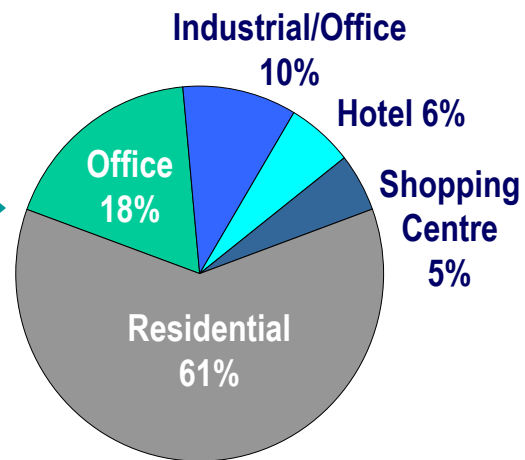
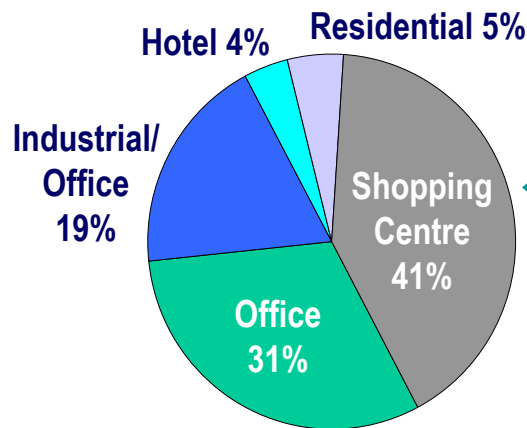
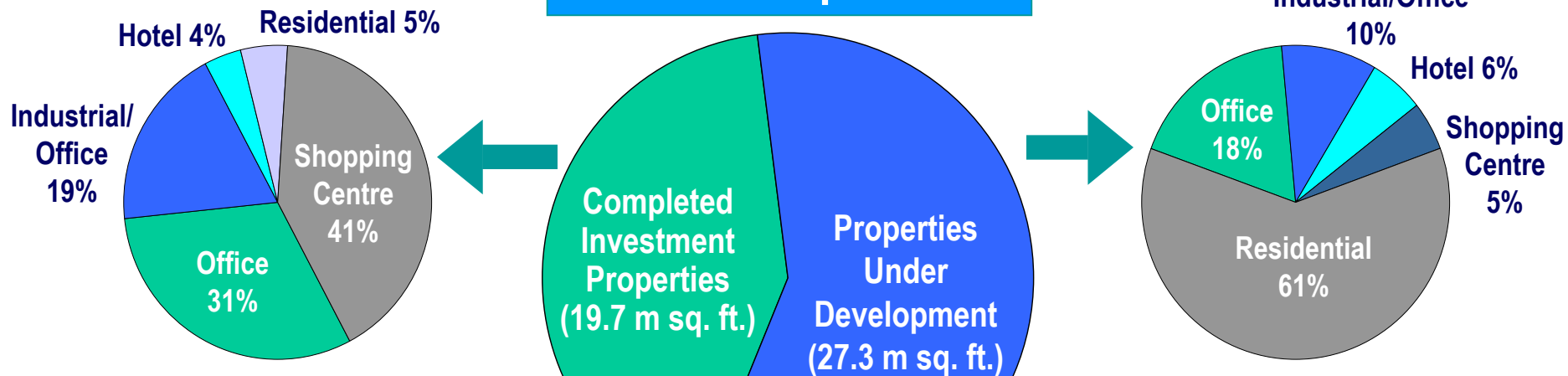
Land Bank in Hong Kong

- Total land bank of 47m sq. ft. in attributable terms comprising (30 June 2002 : 50.4m sq. ft.)
 - 27.3m sq. ft. of properties under development
 - 19.7m sq. ft. of completed investment properties
- Own over 21m sq. ft. of agricultural land (site area)
 - continue to convert agricultural land into development land bank, primarily for residential use
 - mostly along existing and future railway lines
- No land acquisition so far in the current financial year



Total Land Bank in Hong Kong

47 million square feet



Property Development

- Brand name recognition of quality products and services
- Wide-range of flat sizes, substantial majority are small-to-medium sized units
- Maintain high production volume of residential properties
- Effective control over construction costs through improvement in operational efficiency, better design management and economies of scale
- Upcoming new launches including
 - 18 Farm Road, Ho Man Tin
 - YOHO Town, Yuen Long
 - Project on Yunnan Lane
 - Sham Wan Towers, Ap Lei Chau
 - Tuen Mun Town Lot 399



Property Development in FY2002/03

- Presold over 80% of residential properties to be completed in FY2002/03

Project	Usage	Group' s Interest %	Attributable GFA (square feet)
Projects completed in 1st half FY2002/03			3,798,000
Park Central Phase 2	R	57.52/25.0	748,000
Ocean Shores Phase 3A	R/S	49.0	512,500
Two IFC	O/S	47.5	1,169,000
Projects to be completed in 2nd half FY2002/03			2,429,500
Total GFA for FY2002/03			6,227,500

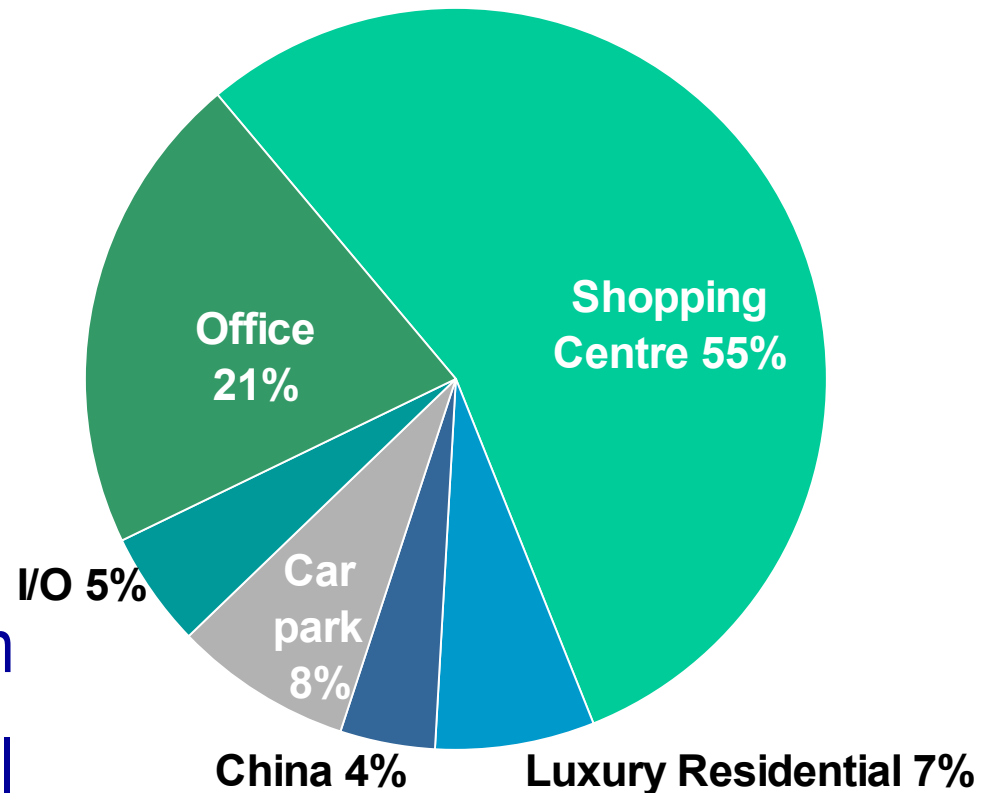
Key : R = Residential, S = Shopping Centre, O = Office



Property Investment

- Maintain an optimal mix of quality portfolio
- 92% occupied
- Gross rental income for first half FY2002/03, including those from associates and joint ventures, was HK\$2,824m
- Dispose of non-core rental properties to enhance return

Gross Rental Income



China Property

- New commercial project in Pudong, Shanghai
 - comprising office, retail, service apartments and hotels
 - total gross floor area : 4.5m sq. ft.
 - total project costs (including finance costs) : HK\$8 billion
 - construction to commence in 2004
 - to be developed in phases
 - expected completion of the entire project by 2011



Prospects



Hong Kong Residential Market

- More activity in the primary market after Lunar New Year
- Higher demand in high-end market due to increasing “China-Hong Kong merchants”
- Innovative financing and payment package available for buyers
- Positive response to the population policy measures such as introduction of investment immigrants
- Negative sentiment due to latest tax increases likely to be short-lived



Hong Kong Residential Market (Cont' d)

Positive future outlook

- favourable demand factors
 - very attractive housing prices
 - record level of affordability
 - more economical to buy than to rent
- Demand enhanced by new population policy
- New private-sector supply likely to decline gradually
- More comprehensive and market driven housing policy including abolishment of HOS supply
- Buyers' confidence likely to improve over time



Strategy and Prospects

- Focus on Hong Kong property market
- Strengthen brand name
- Build superior quality properties and offer best customer service
- Strive to reduce cost and to improve operational efficiency



Strategy and Prospects (Cont' d)

- Maintain high production volume of residential properties for sale
- Develop new landmark investment properties and selectively sell non-core rental properties
- Invest selectively in property projects in major cities on the Mainland
- Emphasis on return and shareholder value

