

CHAIRMAN'S STATEMENT

I am pleased to present the 2002/2003 Annual Report to shareholders.

FINAL RESULTS

The Group's audited consolidated turnover and net profit attributable to shareholders for the financial year ended 30th June, 2003 amounted to HK\$4,183 million and HK\$51 million respectively. Earnings per share for the year were 1.32 cents. The decrease in net profit was mainly attributable to low project completion, the war in Iraq and atypical pneumonia that have significantly impacted the market sentiment.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 2 cents per share in respect of the year ended 30th June, 2003 to shareholders whose names appear on the Register of Members of the Company on 18th November, 2003. Together with the interim dividend of 2 cents per share, the total dividend for the full year is 4 cents per share.

The Directors propose that shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 18th November, 2003; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for scrip dividend on or about 19th November, 2003. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 17th December, 2003.

BUSINESS ACTIVITIES

(1) Land Bank

During the financial year ended 30th June, 2003, the Group acquired two plots of land mainly for residential development. The addition of these new sites contributes in aggregate approximately 2.7 million square feet of attributable gross floor area to the Group. Details of these acquisitions are as follows:

Acquired a total attributable gross floor area of 2.7 million square feet

	<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1.	Tsuen Wan Town Centre Redevelopment Project TWTL 398, Tai Ho Road/Yeung Uk Road Tsuen Wan, New Territories	Residential/ Commercial	100%	1,401,472
2.	Ho Tung Lau STTL 470 Sha Tin, New Territories	Residential/ Commercial	100%	1,322,883
				<hr/> <u>2,724,355</u>

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(1) Land Bank *(Continued)*

As at 30th June, 2003, the Group's land bank, including properties held for sale, properties under development and completed investment properties, consists of a total gross floor area of approximately 18.8 million square feet comprising a balanced portfolio of properties of 44% residential; 32% commercial; 13% industrial; 8% car parks and 3% hotels. The Group continues to replenish its land bank with quality sites to optimise its earning potential.

The Group's land bank consists of a total attributable gross floor area of 18.8 million square feet

(2) Project Completion & Development Activities

During the financial year ended 30th June, 2003, the Group completed the following developments with a total attributable gross floor area of approximately 0.9 million square feet:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Grand Regentville 9 Wo Mun Street, Fanling, New Territories	Residential/ Retail/ Car Parks	100%	603,929
2. Horizon Place 100 Kwai Luen Road, Kwai Chung, New Territories	Residential	100%	205,580
3. Sky Horizon 35 Cloud View Road, North Point, Hong Kong	Residential	100%	134,225
			<hr/> 943,734 <hr/>

The Group expects to complete the following projects with an aggregate attributable gross floor area of approximately 2.3 million square feet in the next financial year:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Ocean View 1 Po Tai Street, Area 77, Ma On Shan, New Territories	Residential	100%	612,465

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(2) Project Completion & Development Activities *(Continued)*

	<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
2.	Skyline Tower 39 Wang Kwong Road, Kowloon Bay, Kowloon	Commercial	50%	413,915
3.	Parc Palais 18 Wylie Road, King's Park, Kowloon	Residential	30%	271,253
4.	Raffles City Shanghai Plot 105 A&B, 228 Xizang Road Central, Huangpu District, Shanghai	Commercial	19%	255,977
5.	The Cairnhill Route Twisk, Area 40 Tsuen Wan, New Territories	Residential	25%	206,909
6.	Imperial Villas Phase I & II 1 & 8 Ping Chuk Lane, Ping Shan, Yuen Long, New Territories	Residential/ Commercial	100%	180,403
7.	Embassy Lodge 8 Kam Tsin South Road, Kam Tsin Lodge, Sheung Shui, New Territories	Residential	100%	166,840
8.	The Cliveden 98 Route Twisk, Area 40, Tsuen Wan, New Territories	Residential	50%	112,538
9.	St Andrews Place 38 Kam Chui Road, Beas Stable, Sheung Shui, New Territories	Residential	100%	98,909
				<hr/> <u>2,319,209</u>

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(3) Sales Activities

Sales revenue for the financial year was mainly derived from the sale of residential units from new projects namely Grand Regentville, Horizon Place and Sky Horizon. In total, over 95% of the units have been sold.

Between the fourth quarter of 2002 and up to March 2003, the property market was strengthened by the new housing policies announced in November 2002. Capitalising on the improved market sentiment during this period, the Group launched two residential projects, namely, Imperial Villas Phase I and Phase II in Yuen Long for sale in the first quarter of 2003. The projects are scheduled for completion in the financial year 2003/2004. Market response was encouraging with over 99% of units sold within a short period of time.



Units of Imperial Villas were well received during sales launch and virtually sold out.

The tensions in Iraq depressed the global economic climate which in turn interrupted the growth at the beginning of 2003 and adversely affected the market sentiment. Sales activities between March and May this year were low due to the outbreak of atypical pneumonia in Hong Kong which caused developers to postpone their projects. However, sales activities picked up by the end of the second quarter of 2003 when the epidemic was brought under control and the World Health Organisation removed Hong Kong from the list of affected areas. Home purchasers are regaining confidence and as a result buying sentiment is gathering momentum.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(3) Sales Activities *(Continued)*

Alongside this recovery, one of our joint venture projects, Phase I of The Cairnhill, located in the mid-levels of Tai Mo Shan and scheduled for completion in the financial year 2003/2004, was launched in June 2003. The project was well received by the market and sales were encouraging.

In July 2003, the Group also rolled out Oceania Heights in Tuen Mun while our joint venture partner marketed Anglers' Bay in Sham Tseng. As both projects are located within the catchment area of the West Rail, they received good response from the market and sales were again encouraging.

There have been signs that the demand for luxury properties has strengthened and in view of this trend, our luxurious residential joint venture project Parc Palais was marketed in August.



Oceania Heights in Tuen Mun received enthusiastic response from the market when it was launched.



CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(4) Rental Activities

As at 30th June, 2003, the Group had 8.6 million square feet of attributable gross floor area of completed investment properties, an increase from 8.1 million square feet in the previous financial year. The increase in 0.5 million square feet was mainly attributable to the addition of Cambridge Plaza and retail and car park spaces in Grand Regentville. The portfolio comprises diversified properties: 46% commercial; 26% industrial; 18% car parks; 7% hotels and 3% residential.



The 1-month 'Sino Shop Assistant Campaign' organised by Sino Land last November completed on a happy note. Mr. Chan Cheung Kit (middle), General Manager (Leasing) presents the certificate and cheque to one of the Most Courteous Shop Assistant Champions at the prize presentation ceremony.

Rental activities for the Group recorded a growth in the first half of the financial year 2002/2003. Although the growth trend was hindered by atypical pneumonia which subsequently affected the businesses of our tenants and hotel revenue, the impact was partly mitigated by contingency plans and initiatives designed to manage and control unforeseen circumstances. Our property management arm implemented a series of measures to stay resilient against the epidemic and concurrently, the Group launched effective promotional activities in the shopping malls to boost both traffic flow and enhance customer loyalty, thereby creating more business opportunities for our tenants, enhancing the value of assets.



Numerous major events were held at Sino's shopping malls, attracting a large number of visitors.

The gross rental revenue of the Group, including the attributable share of its associates, has remained stable at HK\$1,110 million compared to HK\$1,106 million in the previous financial year with satisfactory overall occupancy. Their highly diversified nature and favourable locations continue to prove to be significant contributing factors in ensuring stable recurrent earnings.

***Rental income of
HK\$1,110 million***

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(5) Finance

The Group's gearing ratio has been reasonably stable. As at 30th June, 2003, it was maintained at approximately 36.6%, expressed as a percentage of bank and other borrowings net of cash and bank balance over shareholders' equity. Of the total borrowings, 16% was repayable within one year, 22% repayable between one and two years and 62% repayable between two and five years. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$9,046 million, comprising cash on hand of approximately HK\$1,624 million together with committed undrawn facilities of approximately HK\$7,422 million. Total asset value of the Group amounted to HK\$40.8 billion. The shareholders' fund and net asset value per share of the Group amounted to HK\$24.3 billion and HK\$6.26 respectively.

*Cash resources of
HK\$9,046 million*

In June 2003, the Group redeemed its securitised bonds with initial Hong Kong dollar equivalent loan amount of HK\$2,343 million under Hong Kong Turbo Mortgage Funding Limited together with payment of costs of HK\$108 million. This was done in relation to early termination of the interest rate and currency swaps. The early redemption of the bonds was financed partly by internal cash resources and partly by refinancing. It enabled the Group to reduce interest cost.

There was no material change in foreign currency borrowings and the capital structure of the Group for the financial year ended 30th June, 2003. Foreign exchange exposure is kept at a minimal level. The majority of the Group's borrowings are subject to floating interest rates except for the Convertible Notes due 2007.

As at 30th June, 2003, the Group did not record any material changes in contingent liabilities since the previous financial year ended 30th June, 2002.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(6) Future Developments

The principal focus of the Group lies in property development and investments, with its land bank being continuously and selectively replenished in order to optimise future earnings potential. As at 30th June, 2003, the Group had approximately 9.5 million attributable square feet of land bank currently under development, about 80% of which is allocated for residential projects due for completion within the next four to five years.

The Group affirms its commitment to building premium properties, incorporating wherever possible environmentally friendly concepts and features in its new developments and property management to provide better quality for its customers.

We are delighted to announce that the project Park Avenue received the Highly Commended Certificate in the Prix d' Excellence 2003 of FIABCI Prix d' Excellence 2003 which recognises its architectural design. This is the second accolade in addition to the rating awarded by Property Times to acknowledge its quality and variety of clubhouse facilities during the financial year. In addition, The Fullerton Singapore was bestowed the Best New Business Hotel in Asia Pacific by Business Traveller Asia Pacific Awards 2002 and FIABCI Prix d' Excellence under the Leisure Category Winner at the 54th FIABCI World Congress 2003.

Other than the above mentioned, there was no material change from the information published in the report and accounts for the financial year ended 30th June, 2002.



Park Avenue has been awarded the Highly Commended Award at the 54th FIABCI World Congress this year. The award underscores the achievement of Sino Land in the pursuit of world-class real estate development excellence.



CHAIRMAN'S STATEMENT *(Continued)*

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Group places great significance on corporate integrity, business ethics and good governance while acknowledging its corporate responsibilities to society. We believe that interests of long-term shareholders can best be optimised by conducting our business in a socially responsible manner and by adopting, where possible, environmentally friendly practices in daily operations and business development. During the year, the Group organised fund-raising activities for Hong Kong Red Cross and Hong Kong Community Chest.

Our wholly-owned subsidiary, Sino Estates Management Limited, which focuses on asset and customer relation management, received several awards in recognition of its contributions to society and reinforcement of environmental protection for the benefit of its residential and commercial portfolios.

Sino Estates Management Limited founded the 'Sino Volunteer Team' in June 2002 with an objective to build a more loving and caring community. Residents and tenants are encouraged to join forces with Sino staff to participate in social services and charity events.



In September 2002, Sino Estates Management Limited won the '2002 Estate for the Chest Award' (Yau Tsim Mong District) for considerable fund-raising activities on behalf of Hong Kong Community Chest and in December of the same year, a 'Caring Company Award' was bestowed on them by The Hong Kong Council of Social Service.

On the environmental protection side, four residential projects under the Company's management were awarded Certificates of 'Fresh Water Plumbing Quality Maintenance Recognition Scheme' by the Water Supplies Department in recognition of sterling work. In January 2003, Regentville, one of the estates that it manages, was presented with a Certificate of Merit under the 'Green Office Management in 2002 Eco-Business Awards'.



General Manager of SEML, Mr. Andy To (2nd right) together with Centre Managers of Island Resort, Mr. Derek Pang (right) and Ms. Louisa Lau of China Hong Kong City (left) received the ISO9001:2000 Certification from CEO of HKQAA, Mr. Raymond Chan (2nd left).

CHAIRMAN'S STATEMENT *(Continued)*

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY *(Continued)*

In addition, both Sing-Ho Security Services Limited and Best Result Cleaning Services Limited received ISO 9001: 2002 Quality Management System certification which affirms their standards of operational efficiency and quality service.



Sino Estates Management Limited won the Merit Prize of 2002 Hong Kong ECO – Business Awards, for its outstanding achievement in environmental protection.

EMPLOYEE PROGRAMMES

During the financial year, the Group held various internal and external training programmes for over 4,680 employees which are designed, amongst other things, to strengthen their language proficiency, professional knowledge and management know-how as well as to enhance their productivity. Course contents covered language skills; customer relations and customer service; information technology; self-enhancement initiatives and environmental conservation in respect of office administration, property management and project management. New courses will continually be developed to meet corporate and specific career planning needs.

Just as the economic and social ties between the Mainland and Hong Kong strengthens, and so the Group continues its efforts in promoting the use of Putonghua amongst staff by providing courses for various levels on a regular basis. It is the Group's policy that all staff, in particular front-line positions, must uphold meticulous customer service standards. In this regard, a consultancy has been engaged to provide an intensive training programme on quality customer service practices. Over 2,000 staff undertook training during the financial year with positive and encouraging feedback from both participants and customers.

The Group also manages an 'Outstanding Employee Award' scheme to recognise and reward outstanding performances by employees and identify and train potential leaders. During the period, 16 employees received awards.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS

The financial year 2002/2003 was indeed challenging made so by an unstable business environment. The property market was strengthened by the housing measures announced by the Government in November 2002 which acted as important catalysts to build the foundation for a healthy and sustainable growth. As a result, the buying sentiment picked up in the first quarter of 2003, but the positive impact was impeded by adverse external factors, the war in Iraq and the unexpected outbreak of atypical pneumonia which severely affected not only property sales, but also in particular, tourism, hotels, food and beverage and retail businesses across Hong Kong and the region.

However, the negative effects have proved to be short-term with the war in Iraq now over and atypical pneumonia under control. Recovery is evident by the increase in inbound tourists rising from 0.43 million in May 2003 to 1.29 million in July 2003, favourable take-up in recent property sales and high shoppers flow in our shopping malls. The implementation of "individual visit" scheme will further boost tourists from the Mainland which will benefit both the hotel and retail sectors in Hong Kong. The lifting of maximum limit of foreign currency that mainlanders can bring to Hong Kong will also boost the local consumption and retail sales. The Government's plan to introduce additional initiatives with a view to maintaining a sustainable and healthy growth in property market will further bolster people's confidence in the market. These are positive effects for not only the property market but also for the growth of the economy.

In the medium to long term, the continuing economic development of the Pearl River Delta Region will increase trade and traffic flow and strengthen ties between the Region and Hong Kong aiding in our city's economic recovery. The establishment of the Closer Economic Partnership Arrangement in June 2003 whereby zero import tariff preference is applied to a selected range of exports from Hong Kong will facilitate Hong Kong businesses in that it creates a higher level of access to the Mainland market. This engenders economic activities between the territories resulting in mutual gain.

During the financial year, the Group replenished its land bank with an additional 2.7 million square feet of attributable gross floor area at fair prices. This new addition will provide stable earning prospects in the years to come. The pre-sale of the projects in the past two years helps secure earnings in the coming financial years. Approximately 75% of the residential units that are due for completion in the financial year 2003/2004 have been sold with attributable sale proceeds of over HK\$3 billion. Barring any unforeseen circumstances, the recent recovery trend in the market should have a positive impact on the earnings of the Group for the financial year 2003/2004. The Directors are confident of the prospects of the Group in the medium to long term.

CHAIRMAN'S STATEMENT *(Continued)*

STAFF AND MANAGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all staff for their commitment, dedication and continuing support. I would also like to express my gratitude to my fellow Directors for their guidance and wise counsel.

Robert NG Chee Siong
Chairman

Hong Kong, 23rd September, 2003