

I am pleased to present the 2006/2007 Annual Report to shareholders.

## FINAL RESULTS

For the financial year ended 30th June, 2007, the Group's audited consolidated net profit attributable to shareholders reached another new record high of HK\$6,267 million (2006: HK\$6,017 million). The turnover of the Group was HK\$7,532 million and earnings per share for the year was 139.6 cents.

Excluding revaluation surplus on investment properties net of deferred tax of HK\$2,363 million, the underlying net profit from operations was HK\$3,904 million for the financial year 2006/2007.

The results for the year ended 30th June, 2007 reflect the adoption of all Hong Kong Financial Reporting Standards applicable to the Group that are effective for the accounting period.

## DIVIDENDS

The Directors have resolved to recommend a final dividend of 30 cents per share in respect of the year ended 30th June, 2007 to shareholders whose names appear on the Register of Members of the Company on 15th November, 2007. Together with the interim dividend of 8.5 cents per share, the total dividend for the full year is 38.5 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 15th November, 2007; 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, 2007. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 13th December, 2007.

## BUSINESS REVIEW

### (1) Sales Activities

Turnover and earnings from sales for the financial year ended 30th June, 2007 were mainly derived from sales of residential units in Vision City, One SilverSea and the residential detached houses in two luxurious projects, namely The Royal Oaks and St. Andrews Place.

Vision City is a luxurious residential development located in the centre of Tsuen Wan and in between two railway arteries, namely MTR Tsuen Wan Station and KCR Tsuen Wan West Station on the West Rail. Market response for the project was encouraging with over 80% of its 1,466 units sold.

Both The Royal Oaks and St. Andrews Place are located in the prestigious area surrounded by The Hong Kong Golf Club and The Hong Kong Jockey Club where the 2008 Olympic Equestrian Cross Country Event will be held. All of the detached houses in The Royal Oaks have been sold and approximately 40% of the detached houses in St. Andrews Place have already been sold.



**BUSINESS REVIEW**  
 (Continued)

**(1) Sales Activities (Continued)**

Earnings from property sales at associate level were mainly derived from sales of completed residential units in Mount Beacon located in Kowloon Tong, One HoneyLake in Shenzhen and Phases II and III of Chengdu International Community in Chengdu, Sichuan. Over 96% of all the units in One HoneyLake have been sold and over 73% of the units launched to date in the Chengdu International Community have been sold.

Details of the projects that were completed during the financial year 2006/2007 are presented in the table below with a total attributable gross floor area of approximately 2.3 million square feet:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. Vision City 1 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong	Residential/ Retail	100%	1,401,472
2. One HoneyLake, Phases II and III Xiangmei Road, Futian District, Shenzhen, PRC	Residential	50%	349,135
3. Chengdu International Community, Phases II and III Xipu Zhen, Pi Xian, Jin Niu District, Chengdu, Sichuan, PRC	Residential	20%	591,055
			<hr style="width: 100%; border: 0.5px solid black;"/> 2,341,662

During the financial year under review, the sale of residential project Greenfields in Guangzhou, PRC was well received with virtually all of the 238 residential units sold. The project was completed in the third quarter of calendar year 2007.

**BUSINESS REVIEW***(Continued)***(2) Land Bank**

As at 30th June, 2007, the Group had a land bank of approximately 26.5 million square feet of attributable gross floor area comprising a balanced portfolio of properties of which 55% is residential; 28% commercial; 9% industrial; 5% car parks and 3% hotels. In terms of breakdown of the land bank by status, 15.6 million square feet consist of properties under development, 9.6 million square feet of properties for investment/own use and 1.3 million square feet of properties held for sale. The Group will continue to replenish its land bank, both in Hong Kong and in Mainland China, selectively to optimise its earnings potential.

During the financial year under review, the Group acquired 7 plots of land for property development. Details of the acquisitions are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. KIL 11073 West Kowloon, Hong Kong	Residential/ Retail	45%	292,805
2. NKIL 6374 1 Broadcast Drive, Kowloon Tong, Kowloon, Hong Kong	Residential	100%	196,592
3. TPTL 188, Pak Shek Kok, Tai Po, New Territories, Hong Kong	Residential	25%	187,447
4. TPTL 187, Pak Shek Kok, Tai Po, New Territories, Hong Kong	Residential/ Retail	50%	172,703
5. Collyer Quay Singapore	Commercial/ Hotel	100%	107,640
6. Remaining portion of NKIL 1069, 270-274 Cheung Sha Wan Road, Kowloon, Hong Kong	Residential/ Retail	100%	36,209
7. No.12, 14, 16 and 18, Hau Wong Road, Kowloon City, Kowloon, Hong Kong	Residential/ Retail	100%	35,703
			1,029,099

**BUSINESS REVIEW**  
(Continued)**(2) Land Bank (Continued)**

Subsequent to the financial year ended 30th June, 2007, the Group was fortunate to have been successful in acquiring 2 additional plots of land in Chengdu and Chongqing in Mainland China through land auctions. On completion, these 2 projects will provide a total attributable gross floor area of over 18.6 million square feet. The site in Chengdu is located in the Cheng Hua District whereas the site in Chongqing is in Jiang Bei District close to the Jia Ling Jiang. Details of the sites are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. Chengdu Project West of Cheng Kun Railway, East of Sha He, South of Cheng Luo Road, North of Ying Hui Road, Cheng Hua District, Chengdu, PRC	Residential/ Commercial	100%	13,151,421
2. Chongqing Project No. 1, Zhong Xing Duan, Qiao Bei Cun, Hua Xin Street, Jiang Bei District, Chongqing, PRC	Residential/ Commercial	50%	5,542,808
			<hr/> <u>18,694,229</u>

In the eleventh five-year development plan, both Chengdu and Chongqing have been placed on the priority list of the areas in which regional development is planned. In June 2007, the State Council designated Chengdu and Chongqing as the new trial zones for comprehensive coordinated reforms. This policy movement presents new development opportunities for the Group in both cities. Chengdu has also been targeted to be developed into a center of "science, technology, finance and commerce" by the State Council. With its existing international airport which is ranked the fifth largest in Mainland China, the railway and road networks as well as ongoing infrastructure developments, Chengdu has developed into a transportation hub. Chongqing, being selected as a core city by the Central Government under the Western China Development Strategy, plays an important role as an economic hub in Western and Central China. The economic development potential in these two cities is promising.

## BUSINESS REVIEW (Continued)

### (2) Land Bank (Continued)

Further, on 17th September, 2007, the Group successfully acquired Site B of Pak Shek Kok (TPTL 186) in a land auction for residential development in Hong Kong. The Group has 35% interest in the project. On completion expected to be in approximately 3 to 4 years time, the site will afford an additional total of approximately 250,000 square feet of attributable gross floor area.

Including the attributable gross floor area of the new sites acquired subsequent to the financial year ended 30th June, 2007, the total land bank of the Group is approximately 45.4 million square feet, of which 34.5 million square feet is properties under development.

### (3) Property Development

The Group expects to complete the following projects with an aggregate attributable gross floor area of approximately 1.2 million square feet in the financial year ending 30th June, 2008:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. Chengdu International Community Phase IV Xipu Zhen, Pi Xian, Jin Niu District, Chengdu, Sichuan, PRC	Residential/ Commercial	20%	360,506
2. Greenfields No. 8, Lanyu 5 Jie, Guangzhou Economic & Technological Development District, Guangzhou Lot No. SZ-8-2, PRC	Residential/ Retail/ Carparks	100%	314,655
3. New Kowloon Inland Lot No. 6425, Fuk Wing Street and Fuk Wa Street, Sham Shui Po – Project K26, Kowloon, Hong Kong	Residential/ Retail	100%	134,043

**BUSINESS REVIEW**  
(Continued)**(3) Property Development** (Continued)

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
4. Park Place East of Gia Hor Lu and South of Lian Hwa Bei Lu, Xiamen Lot No. 89-C4, PRC	Residential/ Retail	100%	131,007
5. One HoneyLake, Phase IV Xiangmei Road, Futian District, Shenzhen, PRC	Residential	50%	99,260
6. Hong Kong Inland Lot No. 2769 256 Hennessy Road, Wan Chai, Hong Kong	Office/ Retail	100%	71,862
7. New Kowloon Inland Lot No. 939 305 Castle Peak Road, Sham Shui Po, Kowloon, Hong Kong	Residential/ Retail	100%	64,791
8. New Kowloon Inland Lot No. 1175-1177 464-474 Castle Peak Road, Sham Shui Po, Kowloon, Hong Kong	Residential/ Retail	100%	58,867
			<hr/> <u>1,234,991</u>

**BUSINESS REVIEW**  
*(Continued)***(4) Rental Activities**

The Group's rental portfolio performed solidly for the financial year ended 30th June, 2007 with gross rental revenue, including the attributable share of its associates, increasing by 14.8% to HK\$1,607 million. The increase in rental revenue was primarily due to positive rental increases from all sectors of the portfolio as well as an increase in overall occupancy.

The retail sector in Hong Kong continued to register good growth mainly due to a broad-based increase in salaries, a positive wealth effect, improving sentiments, steady growth in visitor arrivals, increases in marriages and births as well as a rise in residential property purchases. The rental rates of our retail properties recorded healthy growth with overall occupancy rates staying high. To encourage shopper flow and deliver a more engaging retail experience, thematic promotional activities in our major shopping malls are regularly launched. Through a programme of continuous design upgrades, facility improvements based on customer needs and market research as well as optimisation of tenant mix, the yields and values of our retail rental properties are enhanced.

Strengthened by increasing economic activities and business expansion, the performance of the rental office buildings was encouraging with strong take-up and some achieving full occupancy. Rental rates for office spaces recorded strong increases. The office sector is expected to attain robust growth in the foreseeable future as more firms will open offices and expand their existing operations in Hong Kong.

Benefiting from the increase in trade activities due to growth of world-wide trades and CEPA, the industrial sector witnessed a favourable growth during the financial year 2006/2007. The overall occupancy rates of our industrial buildings was high with rising rental rates.

As at 30th June, 2007, the Group had approximately 9.6 million square feet of attributable gross floor area of properties for investment/own use. Of this portfolio, commercial developments account for 57%, industrial developments 18%, car parks 15%, hotels 7%, and 3% residential.



**BUSINESS REVIEW**  
(Continued)**(5) Hotels**

International tourist arrivals worldwide rose favourably in 2006 and during the first half of 2007 with Asia and the Pacific region recording strong growth in the number of arrivals. World prosperity continues to be the main driver for a sustainable growth in tourism and business travel in Asia and the Pacific region. This positive trend is expected to continue throughout 2007 and 2008.

Visitor arrivals in Hong Kong witnessed good growth in the financial year 2006/2007 compared with the previous financial year which was mainly attributable to a continuing economic prosperity in the Asia Pacific region, rising trade activities, increasing Chinese visitors, the promotional campaign rolled out by the HKSAR Government as well as rising interest from the short-haul and long-haul markets from major countries. During the financial year, Conrad Hong Kong achieved positive growth in both room sales and average room rates compared with the previous financial year ended 30th June, 2006. On the positive trend of tourism and business travel and continuing efforts by HKSAR Government in promoting family in-bound travels and MICE (Meetings, Incentive travel, Conventions and Exhibitions), Conrad Hong Kong, with its room renovation programme to upgrade the hotel fully completed, will be well positioned to gain such advantages. During the financial year ended 30th June, 2007, Conrad Hong Kong has been recognised as 'Readers Choice World's Best Hotels Award' by *Condé Nast Traveller*, 'T+L 500 World's Best Hotels' by *Travel + Leisure* and 'Top Hotels in Asia Pacific' by *Asian Legal Business*.

The Fullerton Singapore also registered a strong growth in earnings during the financial year 2006/2007. Both visitor arrivals and tourism receipts grew strongly in Singapore in 2006. It is expected these two indicators will continue to grow favourably in the next few years. Benefiting from the strong market conditions, the hotel industry experienced a very positive surge in average room rates and average occupancy levels. Together with the ongoing upgrade programme carried out for both the guest rooms and the gymnasium during the financial year 2006/2007, The Fullerton Singapore is set for positive growth alongside the rise in business activities and tourism industry in Singapore. Following receipt of the *Condé Nast Traveller* Readers' Choice Awards (2006) - 'The Best Hotel in Asia', we are pleased that The Fullerton Singapore has also received 'The Best Hotel in Singapore' award by *Condé Nast Traveller* in January 2007. In July 2007, it was also rated one of the world's top hotels in the 12th Annual Travel + Leisure World's Best Awards. Management will continue its pursuit to improve the quality of its products and services to meet the needs of discerning guests.

**BUSINESS REVIEW**  
*(Continued)***(6) Mainland Business**

The Group successfully acquired two plots of sizeable land in China for the development of residential and commercial properties in July this year. The projects will provide a total of approximately 18.6 million square feet of attributable gross floor area upon completion over the next few years. With the new acquisitions, the Group's development land bank in Mainland China is now approximately 28 million square feet of attributable gross floor area. The Group targets to double its land bank in the next 12–15 months.

In view of the positive economic prospects of the property market in China, the Group is committed to increasing its land bank in Mainland China. In this respect, the Group is actively seeking for additional sites in various cities of Mainland China where economic fundamentals are good and prospects are promising.

The Mainland economy has grown solidly over the past years and the growth is remarkable. The burgeoning Chinese economy offers tremendous business opportunities for entrepreneurs and good employment prospects for the people. Improvement in economic fundamentals and increase in income are positive to the property market in the medium to long term. Demand for quality residential housing and commercial properties continue to rise.

The successful developments and sales of projects in Xiamen, Guangzhou, Shenzhen and Chengdu over the years have given the company a good foothold in that market. The Group will extend its experience in and strategy of building quality properties and providing after-sale professional property management services to our customers in Mainland China.

Other than the matters mentioned above, there has been no material change from the information published in the report and accounts for the financial year ended 30th June, 2006.



Every year, the Group not only offers Central Plaza as the venue of the Charitable Hong Chi Climbathon, but also send a corporate relay team to participate in the run.



In a bid to encourage people to cherish food, Olympian City became the first shopping mall to support the 'Less Rice Save \$1 Day' campaign initiated by The Greeners.

## FINANCE

As at 30th June, 2007, the Group's gearing was 25.4%, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity. The decrease in gearing compared with that as at 30th June, 2006 was mainly due to the receipt of balance of the sales proceeds from the sale of residential units in One SilverSea, the receipt of the sales proceeds from the sale of residential units in Vision City and sale of houses from The Royal Oaks and St. Andrews Place. Of the total borrowings, 24.3% was repayable within one year, 11.7% repayable between one and two years and 64.0% repayable between two and five years. The Group, including the attributable share of its associates, had cash resources of approximately HK\$15,760 million, comprising cash on hand of approximately HK\$5,584 million together with committed undrawn facilities of approximately HK\$10,176 million. All the cash on hand is in the form of deposits in banks of high credit ratings. Total assets and shareholders' funds of the Group were HK\$72.7 billion and HK\$47.5 billion respectively.

As at 30th June, 2007, all of the Convertible Bonds due 2009 (the "Bonds") were converted into 271,916,011 ordinary shares of Sino Land.

As to the litigation between Sino Land Company Limited ("Sino Land") and Hang Lung Group Limited ("Hang Lung") in respect of the acquisition of a company which owns a property in Yau Kom Tau in Tsuen Wan for development into a hotel, the Court of Final Appeal on 5th February, 2007 allowed the appeal by Sino Land. Pursuant to the judgment, on 6th February, 2007, Hang Lung repaid to Sino Land the deposit of HK\$321 million leaving assessment of interest, damages and costs to be agreed between the parties or dealt with by the courts.

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

## CORPORATE GOVERNANCE

The Group places great significance on corporate integrity, business ethics and good governance. With the objective of achieving best practice of corporate governance, the Group has established an Audit Committee, Compliance Committee and Remuneration Committee. The Group is committed to maintaining good corporate transparency as well as good communications with investors and shareholders by various channels such as non-deal roadshows, investor conferences, results briefing, site visits and corporate website to disseminate information about the Group's latest developments.

## CUSTOMER SERVICE

The Group re-affirms its commitment to building quality projects. In keeping with its mission to enhance customer satisfaction, the Group will wherever possible ensure that attractive design concepts and features, which are also environmentally friendly, are integral elements of its developments. Management continues to conduct regular reviews of its properties and where necessary makes improvements to maintain its reputation for the highest standards of quality and service.

Delivering high-quality customer service has long been one of the Group's key business objectives. During the financial year 2006/2007, the Group's property management division received a number of awards from HKSAR Government and renowned organisations in recognition of its quality of service, management capability, contributions to community and charity services, and promotion of environmental protection. The Group will continue to make improvements in its quality of service so as to ensure customer satisfaction and brand enhancement.

## CORPORATE CITIZENSHIP

To further the Group's commitment to good corporate citizenship, the Community Care Committee (the "Committee") works closely with different charitable and voluntary organisations to organise various community services for the needy.

On the environmental protection side, the Group has collaborated with a number of international organisations focusing on promoting environmental protection to co-organise activities to inspire public interest in protecting natural resources and encourage the concept of green living.

It is also the Group's belief that supporting local arts and cultural activities is important to foster creativity, reinforce public awareness and fulfill Hong Kong people's artistic appreciation. The Committee will continue to roll out activities for staff participation as well as to serve the community in the years to come.

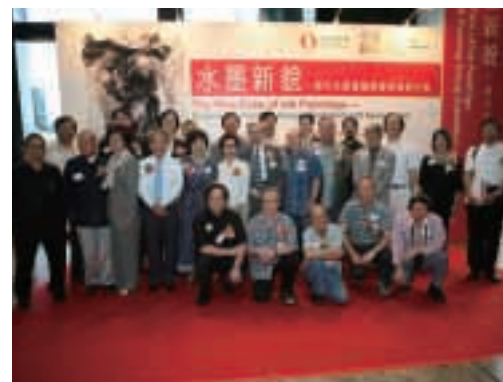
## PROSPECTS

China is one of the fastest-growing economies in the world. The growth of the industrial and service sectors and buoyant international trade with the rest of the world in the past few decades has resulted in wealth creation.

The affluent class in China, who pursue a better quality of life, has been increasing rapidly. The increase in incomes with standards of living staying relatively low enables people to put their excess cash in durable goods and the demand for



*Sino Group's 'Art in Hong Kong' and the Chinese Arts Papercutting Association co-presented 'Influential People Marking the Tenth Anniversary of the Handover – Papercutting Arts Exhibition by Lu Xue' at Central Plaza during the anniversary month.*



*The New Face of Ink Paintings – Modern Ink Painting Group Exhibition and Symposium brought together over 40 modern ink painting masters, specialists and scholars from around the world.*

**PROSPECTS** *(Continued)*

quality housing is strong. The strengthening of Renminbi has also raised the purchasing power of people in Mainland China. The 2008 Olympic Game to be held in Beijing will further boost market sentiments. On the whole, the economic growth momentum is expected to continue and the economy to remain vibrant. The Central Government's fine-tuning control measures will also ensure a healthy and a balanced economic growth as well as a better structure of the real estate sector in the medium to long term. Prospects of China economy are promising. Hong Kong is well-placed to gain and it will be a major beneficiary of China's economic growth.

The economy of Hong Kong performed well in the financial year 2006/2007 with unemployment hitting the lowest level for over nine years, increasing salaries and bonuses filtering through a broad range of industries, vibrant business activities and strengthening consumers' confidence. Supported by strong economic fundamentals, the property market staged a sustainable growth during the financial year. Encouraging results of both primary and secondary transactions in the first half of 2007 indicated a strong pick up whilst sentiment has been gaining momentum. Better economic and employment prospects raise people's propensity to purchase their own homes. Increasing number of marriages and births combined with availability of favourable mortgage terms have fuelled property transactions. Demand for quality properties with state-of-the-art features and facilities is set to rise.

The IPO activities in the Hong Kong stock market in 2006 and the first half of calendar year 2007 put investors' spotlights on Hong Kong. The year 2006 was a record year for Hong Kong Stock Exchange with the amount raised. Hong Kong maintains its role as a leading international financial centre in China and it is also an important platform for the listing of Chinese enterprises. Together with the HKSAR Government's own initiative to abolish the estate duty, exemption of profit tax for offshore funds and maintain a simple and low tax system, these are positives to the further development of the financial market in Hong Kong. Management is positive of China's economic development and the outlook of the Hong Kong economy.

The Group continues to be well prepared to take advantage of the exciting opportunities ahead. It will continue its policy of selectively and continuously replenishing its land bank both in Hong Kong and China to optimise earnings and of improving the quality of its properties and services to enhance the lifestyle of its customers. The Group's land bank will enable it to strengthen earnings and profitability, and continue to deliver value to its shareholders. The Directors are indeed confident in the medium to long term prospects of the Group.

**STAFF AND  
MANAGEMENT**

On behalf of the Board, I 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, 18th September, 2007