

CHAIRMAN'S STATEMENT

I am pleased to present the 2000/2001 Annual Report to shareholders.

FINAL RESULTS The Group's audited consolidated net profit after tax and minority interests but before an exceptional provision of HK\$300 million made by Sino Land for the year ended 30th June, 2001 was HK\$196 million. After an exceptional provision of HK\$300 million made by Sino Land, the net profit attributable to shareholders was HK\$43 million. Earnings per share for the year was 3.19 cents.

DIVIDENDS The Directors have resolved to recommend a final dividend of 1 cent per share in respect of the year ended 30th June, 2001 to shareholders whose names appear on the Register of Members of the Company on 15th November, 2001. Together with the interim dividend of 2 cents per share, the total dividend for the full year is 3 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, 2001; 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 16th November, 2001. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 18th December, 2001.

REVIEW OF OPERATIONS

Land Bank

As at 30th June 2001, the Company's listed subsidiary Sino Land had a total of 15 million square feet of attributable gross floor area, comprising a spectrum of properties: commercial (37%), residential (34%), industrial (15%), car parks (10%) and hotels (4%). During the financial year, Sino Land acquired four plots of land for residential development. The sites are located in new towns that can be accessed conveniently by various modes of public transport. Three sites are in Tsuen Wan and one in Ma On Shan. These sites shall bring in a total of approximately 1 million square feet of attributable gross floor area to Sino Land's land bank.

In August 2001, Sino Land acquired a plot of land with attributable gross floor area of 72,096 square feet in Yuen Long. The site will be developed into residential property.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

In the financial year 2000/2001, Sino Land completed a total of eight developments with a total attributable gross floor area of 2.6 million square feet. Projects completed during the period were Olympian Tower on the MTR Olympic Station Site C, 148 Electric Road, The Centrium, One Fullerton, a 400-room hotel The Fullerton Singapore in Singapore, Island Resort Mall, Island Resort and Park Avenue.

In January, Sino Land was granted approval by the Government to convert Commercial Square from industrial to commercial use.

In the coming financial year, Sino Land expects to complete three developments, Central Park, Olympian City 2 and Futura Plaza. The projects will provide 1,312 residential units, 511,287 square feet of retail space and 225,396 square feet of industrial space respectively.

Property Sales

Underpinned by a series of positive financial factors such as interest rate cuts, favourable mortgage rates, strong affordability and incentives for home purchasers. Sino Land recorded a steady sales revenue in the financial year ended 30th June, 2001. Residential developments completed during the year including Island Resort and Park Avenue received a favourable response from homebuyers. In addition to the sale of residential development projects, Sino Land also sold several investment properties including all units in The Royal Cliff, several units in The Arcadia and retail shops in Sino Centre. Subsequent to the current financial year, in July 2001, Sino Land entered into sale and purchase agreements to sell its interest in Energy Plaza and Olympian Tower.

In anticipation of the gradual recovery of the market, three projects are expected to be launched in the coming financial year. They are Sky Horizon at Nos. 35 & 37 Cloud View Road, North Point, Horizon Place at Kwai Chung Town Lot No. 480 and Grand Regentville at Fanling Sheung Shui Town Lot No. 195.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

(Continued)

Leasing Operation

As at 30th June, 2001, Sino Land's completed investment portfolio of 7.7 million square feet gross floor area comprises a mix of properties: commercial (49%), industrial (20%), car parks (19%), hotels (8%) and residential (4%). This accounts for 52% of the Sino Land's total land bank. The new additions to the rental portfolio during the period under review included commercial buildings The Centrium (Central), 148 Electric Road (North Point); retail mall Island Resort (Siu Sai Wan), Maritime Bay (Tseung Kwan O); commercial building One Fullerton and a 400-room hotel named The Fullerton Singapore.

Total gross rental revenue of Sino Land, including the attributable share of its associates, was HK\$1,115 million, representing an increase of 7.4% over the corresponding period of last financial year.

Finance

As at 30th June, 2001, Sino Land, including the attributable shares of its associates, had cash resources of approximately HK\$5,010 million, consisting of cash in hand of approximately HK\$2,045 million and undrawn facilities of about HK\$2,965 million. With steady revenue contributed by rental income, sales of development projects and the disposal of The Royal Cliff, Sino Land's gearing ratio has been maintained at approximately 26%, expressed as a percentage of bank and other borrowings net of cash and bank balance over shareholders' equity. Of total borrowings, 26.8% was repayable within one year, 13.7% repayable between one and two years and 59.5% repayable between two and five years. As at 30th June, 2001, Sino Land's total asset value amounted to HK\$38 billion.

With the exception of the redemption of US\$199 million convertible bonds thereby reducing the US\$ foreign exchange exposure by a net amount of US\$163 million and an increase in Singapore dollar borrowings of S\$36 million for the development of The Fullerton Singapore, there was no material change in the foreign currency borrowings and the capital structure of the Sino Land for the year ended 30th June 2001. Foreign exchange exposure is kept at minimal level. Most of Sino Land's borrowings are subject to floating interest rates except for certain project loans and the convertible bonds.

In January 2001, Sino Land successfully raised approximately HK\$783 million through a placement of 180 million ordinary shares at HK\$4.35 per share, representing approximately 4.7% of the enlarged issued capital of the Company. The net proceeds were used to finance on-going projects.

As at 30th June, 2001, Sino Land had not recorded any material changes in contingent liabilities since the financial year ended 30th June, 2000.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

(Continued)

Future Developments

Property development and investment have been the major business focus of Sino Land. We will continue to replenish the Group's land bank for value creation as well as ensuring its earning prospects in the years to come. As at 30th June, 2001, about 5.1 million square feet of attributable gross floor area were Development for Sale, representing 34% of the total size of the land bank. Development for Investment was 0.8 million square feet, representing 5% of the land bank. About 1.4 million square feet were Completed Properties for Sale which accounted for 9% of the entire portfolio. The remaining 52% was Completed Investment Properties. Sino Land is committed to building quality properties. With renewed initiatives in applying environmentally friendly concepts to new developments, more "green" features will be introduced in building design, project management and estate management.

Other than the above mentioned, there was no material change from the information published in the report and accounts for the year ended 30th June 2000.

EMPLOYEE PROGRAMMES

A series of staff benefits such as employee reward programmes and in-house training are being offered to the staff. During the year, Sino Land organized various internal and external training programmes for the staff to maintain their quality attributes, strengthen their professional knowledge and enhance productivity. Mandarin language training was offered to all front-line staff to ensure the standard of customer service. Furthermore, specialized seminars on environmental protection in respect of office administration, property development and management have also been introduced. Over 3,000 employees participated in training programmes and as these continue, new courses will be constantly developed to meet specific career planning needs.

In addition, Sino Land runs a programme to identify employees with outstanding performance and contributions. The aims of the programme are to give recognition to the staff who have made significant contributions to Sino Land and identify future leaders in order to further develop their skills as role models to their fellow colleagues.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS The first half of 2001 was a period of economic adjustments triggered by economic slowdown in the U.S. as well as major countries in Europe. Hong Kong has inevitably been affected by the global economic climate in the short term. However, in the medium to long term, Hong Kong is well positioned to benefit from the positive economic development in China expected from the growth in domestic demand, China's imminent accession to the World Trade Organization and Beijing's successful bid to host the 2008 Olympic Games.

On the domestic front, the property market continues to experience steady growth as a result of the reduction of interest rates and attractive mortgage terms offered by banks which have made private housing very affordable and appealing. Together with a series of home purchase incentives, the public's buying sentiment is gradually recovering. To secure the earning prospects for the next few years, Sino Land has been actively replenishing its land bank at reasonable prices.

In addition, Sino Land has introduced a series of features to its projects to promote environmental conservation and "green living". Not only have a wide range of environmentally friendly features been incorporated in existing and future development projects, a sequence of environmental measures have also been implemented in the areas of project and estate management.

The world will never forget the events which occurred in New York and Washington D.C. on 11th September, 2001 and we extend our heartfelt thoughts to those who have suffered profound loss.

The impact of these events on world financial markets is currently too early to estimate. The Group will closely monitor the market movements and assess its medium to long-term effect on Hong Kong's economy.

STAFF AND MANAGEMENT

Mr. Ow Sing Kau, who served on the Board for more than 25 years, has retired as an Executive Director with effect from 30th June 2001. I would like to extend my special thanks to Mr. Ow for his contributions during his directorship with the Company.

On behalf of the Board, I would also like to take this opportunity to express my appreciation and thanks to all my fellow directors and staff of the Group for their commitment and contribution.

Robert NG Chee Siong
Chairman

Hong Kong, 25th September, 2001