

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

The Group's unaudited consolidated turnover and net loss attributable to shareholders for the six months ended 31st December, 2002 was HK\$3,026 million and HK\$52 million respectively. Loss per share for the period was 3.84 cents.

In light of the interim results, your Directors have resolved not to declare an interim dividend.

The unaudited interim results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu.

REVIEW OF OPERATIONS

The operations under Sino Land represent a substantial portion of the operations of the Group as a whole. Therefore, for discussion purposes, we have focused on the operations of Sino Land.

Land Bank

As at 31st December, 2002, the Company's listed subsidiary, Sino Land, had an approximate total of 19 million square feet of attributable gross floor area, an increase of 2 million square feet during the interim period. The land bank encompasses a range of properties: 45% residential; 31% commercial; 13% industrial; 8% car parks; and 3% hotels. During the interim period, Sino Land acquired two plots of land for residential and commercial developments, one located in Tsuen Wan Town Centre, the other in Fo Tan (Ho Tung Lau). Upon completion, these developments will yield over 3,400 residential units and a total of approximately 2.7 million square feet of attributable gross floor area to Sino Land's land bank.

During the interim period, Sino Land obtained occupation permits for three residential developments: Grand Regentville, Horizon Place and Sky Horizon with a total attributable gross floor area of approximately 0.9 million square feet.

Property Sales

Revenue Sino Land received during the interim period was derived principally from the sale of Grand Regentville, Horizon Place, Sky Horizon and the remaining stocks of Island Resort and Central Park. Capitalising on the positive impact of the new housing policy announced in November 2002 along with the 24-hour border-crossing at Lok Ma Chau checkpoint, two residential projects, Imperial Villas Phase 1 and Phase 2, were offered for sale. Public response to these projects was encouraging with over 95% of units sold within a short period of time.

Leasing Operations

As at 31st December, 2002, Sino Land's completed investment portfolio increased to approximately 8.3 million square feet from the previous 8.1 million square feet due mainly to the addition of car park space and retail space in Grand Regentville. This is reflected in the composition of the investment portfolio: 47% commercial; 23% industrial; 19% car parks; 8% hotels; and 3% residential. Total gross rental revenue of Sino Land, including the attributable share of its associates, was HK\$565 million, representing an increase of 1% as compared to the same period last year.

CHAIRMAN'S STATEMENT *(Continued)*

Finance

As at 31st December, 2002, the Group's total asset value amounted to HK\$42 billion, whereas gearing ratio was approximately 36%, expressed as a percentage of total borrowings to total assets. Of the total borrowings, 21% was repayable within one year, 42% repayable between one and two years and 37% repayable between two and five years.

There was no material change in foreign currency borrowings and the capital structure of the Group for the interim period ended 31st December, 2002. Foreign exchange exposure is kept at a minimal level. Most of the Group's borrowings are subject to floating interest rates except for certain project loans and convertible notes.

As at 31st December, 2002, the Group did not record any material exceptional changes in contingent liabilities since the previous financial year ended 30th June, 2002.

Future Developments

The principal focus of the Group lies in property development and investments, with the land bank being continuously and selectively replenished in order to optimise earnings potential. During the interim period, new sites with a total attributable gross floor area of about 2.7 million square feet were acquired by Sino Land. The Group is committed to building quality properties with value-added products and services through the incorporated use of environmentally friendly concepts and features in building design, project management, estate management and office administration.

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

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Group attaches great importance on corporate integrity, business ethics and good governance, and acknowledges its corporate responsibilities to society. The Group takes the view that the long-term shareholders' interests can best be optimised by its conducting its business in a socially responsible manner, and by adopting where possible environmentally friendly practices.

During the interim period, our wholly-owned subsidiary Sino Estates Management Limited received a number of awards in recognition of its contributions to society, and its efforts in the promotion of environmental protection for the benefit of its residential and commercial portfolios.

In September 2002, Sino Estates Management Limited won the '2002 Estate for the Chest Award' (Yau Tsim Mong District) by the Hong Kong Community Chest for its efforts in fund-raising activities. In December 2002, a 'Caring Company Award' was granted to the Company by The Hong Kong Council of Social Service.

CHAIRMAN'S STATEMENT *(Continued)*

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

EMPLOYEE PROGRAMMES

During the interim period, Sino Land hosted various internal and external training programmes for over 2,650 employees. These programmes were 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 customers service; information technology; self-enhancement initiatives; and environmental conservation in respect of office administration, property management and project management. New courses will continue to be developed to meet corporate and specific career planning needs.

As regards the former, just as the economic and social ties between the Mainland and Hong Kong continue to strengthen, and so the Group continues its efforts in promoting the use of Putonghua amongst its staff. Training courses at various levels are provided on a regular basis. As regards the latter, it is the Group's policy that all staff, in particular those holding front-line positions must uphold the highest possible customer service standards. In this regard, a consultancy has been engaged to provide an intensive training programme on good customer-service practices. As at 31st December, 2002, over 800 staff had undergone this training. Feedback from both participants and customers was most positive and encouraging.

Sino Land also runs an 'Outstanding Employee Award' scheme to recognise and reward outstanding performances by employees and identify and train potential leaders. During the interim period, 16 employees received this Award.

PROSPECTS

While adverse global economic and political conditions have impeded Hong Kong's immediate economic recovery and concerns about deflation persist, continuing economic developments in the Mainland have positively impacted our economy and created business opportunities.

During the interim period and up to 18th March, 2003, the Special Administrative Region (SAR) Government undertook a broad direction to invigorate the economy as well as the property market. The measures announced by the SAR Government in November 2002, with a view to maintaining a market-driven operating environment to ensure and sustain the healthy development of the private property market and redefining its own role in housing, will have a positive long-term effect on the property market. Furthermore, the SAR Government's plan to foster greater economic co-operation and integration with cities in the Pearl River Delta Region will enhance the competitiveness of the region as a whole and will generate new business opportunities to bolster economic activities in the region and benefit Hong Kong in the long run.

During the interim period, Sino Land replenished its land bank at fair prices with the addition of 2.7 million square feet of attributable gross floor area to the development portfolio. The new land bank enables Sino Land to secure and stabilise earnings for the next four to five years. 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 appreciation and thanks to all staff for their commitments and contributions. I would also like to express my gratitude to my fellow directors for their support.

Robert NG Chee Siong
Chairman

Hong Kong, 18th March, 2003