

## 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 loss attributable to shareholders for the year ended 30th June, 2003 amounted to HK\$4,237 million and HK\$168 million respectively. Loss per share for the year was 12.26 cents. The net loss was mainly attributable to low project completion, the war in Iraq and atypical pneumonia that have significantly impacted the market sentiment.

**DIVIDENDS** In light of the final results, your Directors have resolved not to recommend a final dividend in respect of the year ended 30th June, 2003.

**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 30th June, 2003, the Company's listed subsidiary, Sino Land, had a total of approximately 18.8 million square feet of attributable gross floor area, an increase of 1.8 million square feet as compared to the previous year. The land bank covers a broad spectrum of properties: 44% residential; 32% commercial; 13% industrial; 8% car parks and 3% hotels. During the financial year, Sino Land acquired two plots of land for residential and commercial development namely Tsuen Wan Town Centre Redevelopment site and Ho Tung Lau site in Sha Tin. The former project, due for completion in the financial year 2005/2006, will provide a total of 1,920 flats in 7 towers with a total gross floor area of approximately 1.1 million square feet and 245,419 square feet of retail space. The latter, scheduled for completion in the financial year 2006/2007, will be developed into a residential and commercial complex providing about 1,560 units in 10 towers with a total gross floor area of approximately 1.3 million square feet of residential space and 21,258 square feet of retail space. These sites will bring in a total of 2.7 million square feet of attributable gross floor area to Sino Land's land bank.

During the year, Sino Land completed three residential developments: Grand Regentville in Fanling, Horizon Place in Kwai Chung and Sky Horizon in North Point with a total attributable gross floor area of approximately 0.9 million square feet.

In the coming financial year, Sino Land expects to complete eight residential developments namely Ocean View, Parc Palais, The Cairnhill, Imperial Villas Phase I and II, Embassy Lodge, The Cliveden and St Andrews Place, as well as two commercial projects namely Skyline Tower and Raffles City Shanghai with an aggregate attributable gross floor area of approximately 2.3 million square feet in the next financial year.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS

*(Continued)*

#### **Property Sales**

During the financial year, sales revenue of Sino Land was mainly derived from the sale of residential units from three projects: Grand Regentville, Horizon Place and Sky Horizon. In total, over 95% of the units have been sold.

Between the last quarter of 2002 and up to March 2003, the property market was strengthened by the new housing measures announced in November 2002. Leveraging on the improved market sentiment during this period, Sino Land 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 good with over 99% of units sold within a short period of time.

Sales activities between March and May this year were low as a result of the tensions in Iraq and the outbreak of atypical pneumonia which caused developers to postpone their projects. But sales activities gradually picked up again 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 gaining confidence and with this upsurge in confidence buying sentiment is gathering momentum.

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, Sino Land also introduced Oceania Heights in Tuen Mun while our joint venture partner rolled out 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 launched in August.

#### **Leasing Operations**

As at 30th June, 2003, Sino Land 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.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS

*(Continued)*

#### **Leasing Operations** *(Continued)*

Rental activities for Sino Land recorded reasonable growth in the first half of the financial year 2002/2003. Although the growth trend was hindered by the 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, Sino Land launched effective promotional activities in the shopping malls to boost traffic flow and enhance customer loyalty, thereby creating more business opportunities for our tenants with a view to enhancing the value of assets.

The gross rental revenue of Sino Land, 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.

#### **Finance**

As at 30th June, 2003, the Group's gearing ratio was at approximately 37%, expressed as a percentage of total borrowings to the total assets. Of the total borrowings, 21% was repayable within one year, 35% repayable between one and two years and 44% repayable between two and five years. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$9,047 million, comprising cash on hand of approximately HK\$1,625 million together with committed undrawn facilities of approximately HK\$7,422 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. The majority of the Group's borrowings are subject to floating interest rates.

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)*

### REVIEW OF OPERATIONS

*(Continued)*

#### Future Developments

Property development and investments are the foremost business focus of Sino Land with the land bank being continuously and selectively replenished to optimise future earning prospects. During the financial year and up to September 2003, new sites with a total attributable gross floor area of about 2.7 million square feet were acquired. Sino Land is committed to building quality properties with value-added product features and services. Environmentally friendly concepts and features will also be incorporated in building design, estate management and office administration.

We are pleased to announce that Sino Land's 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 the bestowed 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.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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

Sino Estates Management Limited (SEML), one of Sino Land's wholly-owned subsidiaries, which focuses primarily on asset and customer relation management, received several awards in recognition of its contributions to society and its efforts in promoting environmental protection for the benefit of its residential and commercial portfolios.

In September 2002, SEML 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 granted to them by The Hong Kong Council of Social Service.

## CHAIRMAN'S STATEMENT *(Continued)*

### **SOCIAL AND ENVIRONMENTAL RESPONSIBILITY**

*(Continued)*

On the environmental protection front, four of Sino Land's residential projects, which are under the management of SEML, were awarded Certificates under the 'Fresh Water Plumbing Quality Maintenance Recognition Scheme' organised by the Water Supplies Department in recognition of its sterling work. In January 2003, Regentville, another estate that SEML manages, was awarded with a Certificate of Merit under the 'Green Office Management in 2002 Eco-Business Awards' scheme.

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.

### **EMPLOYEE PROGRAMMES**

During the financial year, Sino Land hosted various internal and external training programmes for over 4,680 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 customer 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 the economic and social ties between the Mainland and Hong Kong continue to strengthen, Sino Land continues its efforts in promoting the use of Putonghua amongst its staff. Training courses at various levels are provided on a regular basis. It is Sino Land'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 30th June, 2003, over 2,000 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 year, 16 employees received this Award.

### **PROSPECTS**

The financial year 2002/2003 against a backdrop of unstable business environment was indeed challenging. The property market was strengthened by the housing measures announced by the Government in November 2002 but the positive impact was negatively affected by a series of 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.

## CHAIRMAN'S STATEMENT *(Continued)*

### **PROSPECTS** *(Continued)*

Fortunately, the negative effects were short-term with the war in Iraq now over and atypical pneumonia under control. Recovery is evident by the increase in inbound tourists, favourable 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 the ceiling 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 supporting our city's economic recovery. The establishment of the Closer Economic Partnership Arrangement in June 2003 will stimulate economic activities between the territories resulting in mutual gain.

During the financial year, Sino Land has 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 next few years. 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 at Sino Land's level 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.

### **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