

## CHAIRMAN'S STATEMENT

I am pleased to present the 2003/2004 Annual Report to shareholders.

**FINAL RESULTS** The Group's audited consolidated net profit attributable to shareholders for the financial year ended 30th June, 2004 amounted to HK\$723 million compared with a net loss of HK\$176 million in the previous financial year. The turnover of the Group was HK\$4,278 million. Earnings per share for the year were 52.85 cents.

**DIVIDENDS** The Directors have resolved to recommend a final dividend of 7 cents per share in respect of the year ended 30th June, 2004 to shareholders whose names appear on the Register of Members of the Company on 17th November, 2004. Together with the interim dividend of 5 cents per share, the total dividend for the full year is 12 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 17th November, 2004; 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 18th November, 2004. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 21st December, 2004.

**REVIEW OF OPERATIONS** The operations under Sino Land represent a substantial portion of the operations of the Group as a whole. As at 30th June, 2004, Tsim Sha Tsui Properties Limited (the "Company") had 50.06% interest in Sino Land. Therefore, for discussion purposes, we have focused on the operations of Sino Land.

### **Land Bank**

As at 30th June, 2004, the Company's listed subsidiary, Sino Land, had a total of approximately 21.3 million square feet of attributable gross floor area, an increase of 2.5 million square feet compared to the previous year. The land bank covers a broad spectrum of properties: 50% residential; 28% commercial; 12% industrial; 7% car parks and 3% hotels.

During the second half of the financial year 2003/2004, Sino Land acquired four plots of land mainly for residential and commercial development - 53 Conduit Road (the remaining portion of Inland Lot No. 2138 and Inland Lot No. 2613), Yeung Uk Road, Tsuen Wan (TW394), a site in Honey Lake, Shenzhen, PRC and Chengdu, Sichuan, PRC. These projects are expected to be completed over the next 4-5 years. Upon completion, they will yield a total gross floor area of approximately 3.8 million square feet.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS *(Continued)*

#### **Land Bank** *(Continued)*

Sino Land completed four residential and two commercial developments during the financial year 2003/2004. These four residential projects were Ocean View in Ma On Shan, Parc Palais in King's Park, Imperial Villas Phase I and II in Yuen Long and The Cliveden in mid-levels of Tai Mo Shan with a total attributable gross floor area of approximately 1.2 million square feet. The commercial developments, which have been classified as completed investment properties, were Skyline Tower in Kowloon Bay and Raffles City Shanghai in PRC which provide a total of approximately 0.6 million square feet of gross floor area.

In the coming financial year, Sino Land expects to complete seven residential developments namely Residence Oasis over the MTR Hang Hau Station, Oceania Heights in Tuen Mun, The Cairnhill in mid-levels of Tai Mo Shan, Anglers' Bay in Sham Tseng, Caldecott Hill in Piper's Hill, The Royal Oaks and St Andrews Place, both in Sheung Shui with an aggregate attributable gross floor area of approximately 1.8 million square feet.

Subsequent to the financial year end, Sino Land acquired three additional plots of land, namely (a) obtained a joint development contract from Urban Renewal Authority to develop a site at Fuk Wing Street/Fuk Wa Street, Shum Shui Po, Kowloon. Upon expected completion in 2008, a total of approximately 134,000 square feet of gross floor area can be built for residential and retail purposes, (b) entered into a sale and purchase agreement for a site located at Castle Peak Road, Cheung Sha Wan, Kowloon, and (c) entered into a sale and purchase agreement for an agricultural land in Ma Wo, Tai Po, New Territories. It is anticipated that a total of approximately 172,524 square feet of gross floor area, including residential and retail areas, will be developed for the projects in Castle Peak Road and Ma Wo. With these new acquisitions of land, Sino Land's total land bank has increased to a total of 21.6 million square feet.

#### **Property Sales**

Property sales turnover of Sino Land at subsidiary level was HK\$2,612 million compared to HK\$2,616 million last year. Revenue from property sales for the financial year 2003/2004 was mainly derived from the sale of residential units from two new developments namely Ocean View and Imperial Villa Phase I and II. In total, about 98% of the units in these projects have been sold. Property sales at associate level recorded an improvement mainly due to the sale of two residential projects, namely The Cliveden and Parc Palais, where about 80% of the total units have been sold.

Throughout the financial year 2003/2004, Hong Kong economy recorded an encouraging recovery with improving GDP, better employment prospects and an end to deflationary pressures. Better economic fundamentals, low deposit rates and favourable mortgage terms provided the necessary impetus for the property market between the fourth quarter of 2003 and the first quarter of 2004.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS

*(Continued)*

#### Property Sales *(Continued)*

Property market sentiment was further boosted by PRC Government's open door policy on tourism and the signing of the Closer Economic Partnership Arrangement ("CEPA"). In general, property prices experienced a double-digit growth compared with that of financial year 2002/2003. Leveraging on the market upturn, the Group marketed several projects. Oceania Heights in Tuen Mun was launched in July 2003 and Residence Oasis over MTR Hang Hau Station in November 2003. The projects were well received by the market, and a total of 95% and 76% of the units of the respective projects have already been sold.

Chinese New Year 2004 saw the launch of Phase II of The Cairnhill, comprising 360 units and all the units were sold shortly after coming onto the market. Anglers' Bay located in Sham Tseng, in which Sino Land has 50% interest, was marketed during the year. About 86% of these units had been sold by June 2004. Caldecott Hill in Piper's Hill was also launched during the second half of the financial year 2003/2004 with approximately 57% of the units sold.

#### Leasing Operations

As at 30th June, 2004, Sino Land had 9.2 million square feet of attributable gross floor area of completed investment properties, an increase of 0.6 million square feet over the 8.6 million square feet held in the previous financial year. This increase was mainly attributable to the completion of Skyline Tower, an office building located in Kowloon Bay and Raffles City Shanghai, an office and retail building in the PRC. These diversified properties comprise 50% commercial developments; 24% industrial developments; 17% car parks; 7% hotels ; and the balance of 2% being residential.

The retail sector has been boosted by enhanced consumer confidence as a result of improving economic conditions during the period of review. The "Individual Travel Scheme" implemented by 30 cities in the PRC since middle of 2003 has benefited our shopping malls, in particular China Hong Kong City where the China Ferry Terminal is located, Tuen Mun Town Plaza and Olympian City 1 and 2.

Sino Land has continued its policy of implementing thematic and creative promotional activities in its shopping malls, with the result that our tenants have enjoyed increased customer traffic and an upsurge in their businesses. The Group's promotional activities are geared to enhance the shopping experience for our customers, make shopping an enjoyable family event and fostering customer loyalty. Demand for retail shops has been strong with rent rates achieving double-digit growth.

Sino Land has embarked a series of asset enhancement programme for our investment properties during the year. Phase I renovation work for the retail area of China Hong Kong City has already been completed. Now renovated, with an attractive colour scheme, the shopping mall and the new food court "Gourmet Express" attract discerning customers.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS *(Continued)*

#### Leasing Operations *(Continued)*

Other malls are to be refurbished and reconfigured, to ensure greater visibility of the shops. Particular care has been paid to tenant mix to cater for the needs of the changing visitor profile and new trends in consumer demand.

The completion of KCR East Tsim Sha Tsui station under the Tsim Sha Tsui Extension project in the fourth quarter of 2004 will link up with Tsim Sha Tsui East, New World Centre, Hanoi Road, Mody Road and Chatham Road, creating a transport and shopping hub in the area. The air-conditioned subway will greatly facilitate pedestrian flow in the entire Tsim Sha Tsui East area. The Tsim Sha Tsui Promenade Beautification project scheduled for completion in 2006 will also give a facelift to the waterfront of Tsim Sha Tsui East. To capitalize on these projects and the anticipated increase in pedestrian flow in the area, management will refurbish the Tsim Sha Tsui Centre thereby revitalizing this valuable asset and securing better rental for the Group.

The gross rental revenue of Sino Land, including the attributable share of its associates, increased to HK\$1,133 million from HK\$1,110 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, 2004, the Group's gearing ratio was at approximately 26.1%, expressed as a percentage of total borrowings to the total assets. Of the total borrowings, 29% was repayable within one year, 44% repayable between one and two years and 27% repayable between two and five years. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$10,555 million, comprising cash on hand of approximately HK\$3,609 million together with committed undrawn facilities of approximately HK\$6,946 million.

As the share price of Sino Land has been consistently well above the exercise price (HK\$4 per share) of the Convertible Notes arranged by Sino Land in May 2002, Noteholders have opted for conversion of the HK\$1.5 billion Convertible Notes into shares. By 21st May, 2004, all the Notes have been converted into Sino Land's shares.

There was no material change in foreign currency borrowings and the capital structure of the Group for the financial year ended 30th June, 2004. Foreign exchange exposure has been prudently kept at a minimal level. All the Group's borrowings are subject to floating interest rates.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS *(Continued)*

#### **Finance** *(Continued)*

On 2nd August, 2004, the court handed down a judgment on the litigation regarding the acceptance of repudiation on the part of Hang Lung of the Agreement entered into between the subsidiary companies of Sino Land and Hang Lung on 19th December, 1996. The judgment was in favour of Hang Lung. The Company will appeal against the judgment on legal advice. The Directors have been advised that the appeal will not be heard until some time in the year of 2005 at the earliest. On the basis of the uncertainty of the outcome of the intended appeal, the Directors are of the opinion that no provision in respect of the deposit and other liabilities contingent upon the outcome of the appeal should be made for the year ended 30th June, 2004.

#### **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 2003/2004, new sites with a total attributable gross floor area of about 3.8 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.

During 2004, Sino Land together with two renowned property developers ("Consortium"), submitted a proposal to the HK Government indicating our interest in developing the West Kowloon Cultural District ("District") into an arts and cultural area. The proposal involves the design and building of a unique development comprising inter alia four museums, each with its own specific theme, three theatres, a performance venue, a concert hall and a canopy are to be constructed and operated for a limited period.

This proposal, if accepted, will result in a total of approximately 4 million square feet of arts and cultural facilities being built. The Consortium believes that this is a project devoted to the community of Hong Kong, and one which would make Hong Kong truly a "World Class City", and provide for the cultural needs of this and future generations. The project design preserves the landscape of the waterfront and adopts environmentally friendly principles in the District. Not only does the Consortium plan to build a world class arts and cultural hub along the waterfront of the Victoria Harbour but also to establish a new lifestyle for Hong Kong people where they can appreciate and enjoy arts and cultural activities.

The Project will also assist in the development of home grown artists and designers who will in turn benefit the society and the economy as a whole.

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, 2003.

## CHAIRMAN'S STATEMENT *(Continued)*

### **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.

The Group has a strong commitment to corporate citizenship. Part of its efforts in delivering its duties as a corporate citizen has been the set-up of a "Community Care Committee" to join hands with charity, non-profit and green organizations as well as relevant government authorities to promote and organise community services and charity events for meaningful causes. Sino Land's recent works include some fund-raising activities for Hong Kong Red Cross and Hong Kong Community Chest, a "Plant Mangrove for the Earth 2004" activity jointly organised with Friends of the Earth to safeguard the coastal environment in Sai Kung, and a "Clean up Marine Park 2004" event co-organised with Green Power to preserve a clean coastline for Sha Chau and Lung Kwu Chau Marine Park where many of the precious Pink Dolphins in Hong Kong reside.

Sino Land was bestowed the "Caring Company 2003-2004" by Hong Kong Council of Social Service in February 2004. This award sees the recognition gained by Sino Land in its contribution to the Hong Kong society at large. Its active pursuits in community care will continue to thrive.

Sino Land's wholly-owned property management arm, Sino Estates Management Limited ("SEML"), was awarded "Caring Company 2003-2004" by The Hong Kong Council of Social Service during the financial year 2003/2004. SEML was also awarded the "Top 10 High Service Hour Award (2002)(Private Organisation)" by the Social Welfare Department in recognition of its contributions to society. The Sino Volunteer Team set up in 2002 by SEML has organised donation campaigns in the properties that SEML manages for Hong Kong Community Chest and Hong Kong Council of Early Childhood Education & Services. Members of the Team have reached out and visited over 400 elderly people living in Caritas Hong Kong - Services for Elderly. SEML has also carried out "Old Books Recycling Programmes" in over 50 estates for World Vision for the second time and "Old Clothes Recycling Programme" for Salvation Army and Friends of the Earth.

SEML has received a number of awards which confirm its efforts and commitments to environmental protection and quality management. 64 projects have been awarded the "Fresh Water Plumbing Quality Maintenance Recognition Scheme Certificate" so far to acknowledge its sterling work. It has also won the champion, 1st runner-up, 2nd runner-up and a Merit Prize in the "Kwun Tong Cleaning Competition - Private Building (Industrial)" for Futura Plaza, Westin Centre, Remington Centre and Seaview Centre respectively. Ville de Cascade where SEML serves as property manager was awarded a Merit Prize in the "Quality Estate Management Competition for Shatin District" by the Shatin District Council. With regard to air quality control, SEML was granted the "Indoor Air Quality Certificate" by Hong Kong Productivity Council for its achievement in maintaining good quality of the air in Haddon Court. It also achieved the "Gold Wastewi\$e Logo" granted by the Environmental Protection Department as an acknowledgment of its efforts in providing high quality refuse management services in Dynasty Heights and "Wastewi\$e Logo" for 11 projects.

## CHAIRMAN'S STATEMENT *(Continued)*

### **SOCIAL AND ENVIRONMENTAL RESPONSIBILITY**

*(Continued)*

SEML attaches great importance to providing and maintaining a beautiful and pleasant landscape for the developments it manages, as an integral part of its initiatives to enhance the lifestyle of the residents. Their achievements have been well received. In March 2004, it was bestowed "Silver Award – High-density residential property" and "Silver Award – Non-residential property" for Hong Kong Gold Coast and Gold Coast Shopping Mall under the scheme of the "Best Landscape Award for Private Property Development" offered by the Leisure and Cultural Services Department of the HK Government. Four projects namely Corporation Park, Dynasty View, Avon Park and Regentville were also awarded the prize of Merit under the scheme.

Sino Security Services Limited (formerly known as Sing-Ho Security Services Limited), a wholly-owned subsidiary of Sino Land, has donated used-uniform to Salvation Army on regular basis since May this year. It also supports the "Youth Pre-employment Training Programme" promoted by the Labour Department of the HK Government by offering part-time posts to people recommended by the Department. Trainees are provided with the necessary training which can assist their career development.

### **EMPLOYEE PROGRAMMES**

As at 30th June, 2004, Sino Land employed approximately 5,600 staff. During the financial year, Sino Land held various internal and external training programmes for its employees. These programmes for the Group's employees 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.

As the economic and social ties between the Mainland and Hong Kong strengthen, Sino Land continues its efforts in promoting the use of Putonghua amongst staff by providing courses for various levels on a regular basis. It is Sino Land's policy that all staff, in particular those in front-line positions, must uphold meticulous standards in customer service.

Furthermore, Sino Land has always laid particular emphasis on promoting good team-work as an essential element in the efficient and effective use of human resources, internal procedures and systems. Teamwork serves to focus individual achievement upon the objectives of Sino Land, which results in better quality of products and services. During the period under review, several workshops and seminars on team-building and leadership were organised in order to promote the spirit and skills of teamwork.

## CHAIRMAN'S STATEMENT *(Continued)*

**PROSPECTS** The Hong Kong economy has shown encouraging signs of a strong recovery since mid 2003, with GDP growth of 6.8% recorded in the fourth quarter of 2003, which rose by a further 12.1% in the second quarter of 2004 with full-year forecast of 7.5%. The high unemployment rate of 8.6% recorded in the quarter between May and July 2003 had fallen to 6.9% by the second quarter of 2004 with the deflationary spiral over. Better economic and employment prospects coupled with low interest rates provided the necessary impetus to cause a resurgence of home-buyer confidence in the property market. Against this backdrop, the demand for private residential housing has been strong. Due to a combination of strong liquidity in the banking sector and the favourable mortgage interest rates offered by banks, property prices have experienced double-digit growth since the second quarter of 2003.

In July 2004, the Hong Kong Mortgage Corporation launched a New Mortgage Insurance Programme which enables home buyers to obtain mortgage financing of up to 95% of the value of a property. This Programme will further facilitate home purchase in the private housing sector.

Retail sales and tourism and hotel industries also recorded encouraging growth as a result of better market sentiments and the implementation of the "Individual Travel Scheme" by 30 cities in Mainland China. Visitor arrivals to Hong Kong have risen from its low level of slightly over 720,000 per month in June 2003 to an average of 1.6 million per month between July 2003 and June 2004. It is expected that visitor arrivals will reach 20 million for the full year of 2004 compared with 16.5 million and 15.5 million in 2002 and 2003 respectively.

As a result, our shopping malls such as China Hong Kong City, Olympian City 1 and 2 and Tuen Mun Town Plaza, (which account for the substantial portion of total gross rental income), have experienced a substantial increase in shopper traffic.

A total of approximately 600,000 square feet of retail space, following the completion of five major projects in Tsuen Wan Town Centre Redevelopment site, Yeung Uk Road (Tsuen Wan) site, West Kowloon Reclamation site, Ho Tung Lau site and Oceania Heights (Tuen Mun) in the next three financial years will add to our already substantial rental portfolio, enhancing future rental income.

Given the strong economic fundamentals, healthy sustainable growth in the property market and our development land bank of 11.5 million square feet mainly acquired between 2000 and the first half of 2004 (not including our completed investment properties and properties held for sale), we are confident that the Group stands poised for yet further growth in the coming years.



## 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, 22nd September, 2004