

CHAIRMAN'S STATEMENT

I am pleased to present the 2001/2002 Annual Report to shareholders.

FINAL RESULTS

*Net profit attributable
to shareholders was
HK\$263 million*

The Group's audited consolidated turnover and net profit attributable to shareholders for the financial year ended 30th June, 2002 was HK\$2,713 million and HK\$263 million respectively. Earnings per share for the year was 6.81 cents.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 2 cents per share in respect of the year ended 30th June, 2002 to shareholders whose names appear on the Register of Members of the Company on 13th November, 2002. Together with the interim dividend of 2 cents per share, the total dividend for the full year is 4 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 13th November, 2002; 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 14th November, 2002. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 16th December, 2002.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES

(1) Land Bank

During the financial year ended 30th June, 2002, the Group acquired 7 plots of land mainly for residential development and a 19% interest in a commercial project in Shanghai named Raffles City Shanghai. The addition of these new sites contributes in aggregate approximately 2.6 million square feet of attributable gross floor area to the Group. Details of these acquisitions are as follows:

Acquired a total attributable gross floor area of 2.6 million square feet

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Tseung Kwan O Site TKOTL 24, MTR Hang Hau Station Development, Tseung Kwan O, New Territories	Residential	60%	895,470
2. West Kowloon Site KIL 11158, Hoi Fai Road, West Kowloon Reclamation, Kowloon	Residential/ Commercial	100%	843,621
3. Tuen Mun Site TMTL 432, Hoi Chu Road, Tuen Mun, New Territories	Residential/ Commercial	100%	345,661
4. Majestic Gardens Lot No. 2051 in Demarcation District No. 121, Ping Shan, Yuen Long, New Territories	Residential/ Commercial	100%	109,348

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(1) Land Bank *(Continued)*

	<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
5.	The Beacon Hill NKIL 6196, Junction of Cornwall Street and Tat Chee Avenue, Kowloon Tong, Kowloon	Residential	33.3%	100,391
6.	Majestic Gardens Lot No. 2052 in Demarcation District No. 121, Ping Shan, Yuen Long, New Territories	Residential	100%	72,065
7.	Piper's Hill Site NKIL 6378, 2 and 4 Caldecott Road, Piper's Hill, Kowloon	Residential	33.3%	25,397
8.	Raffles City Shanghai Plot 105 A & B, 228 Xizang Road Central, Huangpu District, Shanghai	Commercial	19%	255,977
				2,647,930

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(1) Land Bank *(Continued)*

As at 30th June, 2002, the Group's land bank, including properties held for sale, properties under development and completed investment properties, consisted of a total gross floor area of approximately 17 million square feet comprising a balanced portfolio of properties: 39% residential; 34% commercial; 14% industrial; 9% car parks; and 4% hotels. On 26th July, 2002, the Group won a joint venture contract from Urban Renewal Authority for the redevelopment of the Tsuen Wan Town Centre site. About 1,900 residential flats with a total gross floor area of approximately 1.2 million square feet and 245,419 square feet of retail space are expected to be built. Together with this newly acquired site, the Group has a total approximately 18.4 million square feet of land bank and 19 projects currently under development in Hong Kong. The Group continues to replenish its land bank with quality sites to optimise its earning potential.

The Group's land bank consists of a total attributable gross floor area of 17 million square feet

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(2) Project Completion & Development Activities

During the financial year ended 30th June, 2002, the Group completed the following developments with a total attributable gross floor area of approximately 909,149 square feet:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Central Park KIL 11090, 18 Hoi Ting Road, MTR Olympic Station, Kowloon	Residential	42.5%	466,456
2. Olympian City 2 KIL 11090, 18 Hoi Ting Road, MTR Olympic Station, Kowloon	Commercial (Shopping Mall)	42.5%	217,297
3. Futura Plaza KTIL 705, 111-113 How Ming Street, Kwun Tong, Kowloon	Industrial	100%	225,396
			<hr/> 909,149 <hr/>

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(2) Project Completion & Development Activities *(Continued)*

The Group expects to complete the following projects with an aggregate attributable gross floor area of approximately 1 million square feet in the next financial year:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. Grand Regentville 9 Wo Mun Street, Fanling, New Territories	Residential/ Commercial/ Car Parks	100%	603,929
2. Horizon Place 100 Kwai Luen Road, Kwai Chung, New Territories	Residential	100%	201,607
3. Sky Horizon 35 Cloud View Road, North Point, Hong Kong	Residential	100%	134,225
4. St Andrews Place 38 Kam Chui Road, Beas Stable, Sheung Shui, New Territories	Residential	100%	98,909
			<hr/> 1,038,670 <hr/>

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(3) Sales Activities

During the year, sales revenue was mainly derived from the sale of residential units in Central Park, Park Avenue, Island Resort and several investment properties, namely: two commercial buildings, Energy Plaza and Olympian Tower; all the retail shops in Sino Centre and a luxury residential development, The Hacienda.

The Group rolled out four residential projects currently under construction for pre-sale during the year namely Grand Regentville in Fanling, Horizon Place in Kwai Chung, Sky Horizon in North Point and Ocean View in Ma On Shan. Despite a slowdown in economic activities, market response to these projects was favourable with the majority of units sold. These projects are scheduled for completion between 2002 and 2003.



Sky Horizon in Braemar Hill will be the new benchmark for luxury property in the area.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(4) Rental Activities

As at 30th June, 2002, the Group had 8.1 million square feet of attributable gross floor area of completed investment properties, an increase from 7.7 million square feet in the previous financial year. The portfolio comprises diversified properties: 48% commercial; 24% industrial; 17% car parks; 8% hotels; and 3% residential.

During the financial year, the Group completed two properties for investment purposes, namely, Olympian City 2 and Futura Plaza, adding a total of 442,693 square feet to the existing portfolio. Olympian City 2 has achieved high occupancy and has become a retail hub over the MTR Olympic Station in West Kowloon. The leasing of Futura Plaza continues to be promising. In June 2002, a further 170,570 square feet of industrial space was added to the portfolio after acquisition of 100% interest in Sunley Centre. Notwithstanding a decrease in attributable gross floor area resulting from the sales of investment properties Energy Plaza, The Hacienda and remaining retail shops in Sino Centre; the addition of Olympian City 2, Futura Plaza and Sunley Centre has brought about a net increase of approximately 0.4 million square feet of completed investment properties for the Group.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(4) Rental Activities *(Continued)*

The Group has regularly organised a wide variety of promotional activities in our shopping malls to increase pedestrian flow and create more business for the tenants. In March this year, three shows of 'Shaolin-Wheel of Life' performed by the world-renowned Shaolin Kung Fu monks were previewed in Olympic City 2, China Hong Kong City and Island Resort Mall. Peter Rabbit, the popular cartoon figure from the U.K., created a fever in our malls during its promotional campaign 'Peter Rabbit's Natural Wonders of Countryside'. The live broadcast of World Cup 2002 organised in June increased the average traffic flow of major shopping malls like Olympic City 2 and Island Resort Mall by approximately 30% and concurrently boosted the tenants' businesses significantly. The completion of a major renovation programme on the exterior of Tuen Mun Town Plaza Phase I in April gave the shopping mall a refreshing and radiant new outlook.



Various promotional events are held at Sino's shopping malls, attracting a large number of visitors.

Rental income of HK\$1,106 million

The gross rental revenue of the Group, including the attributable share of its associates, has been stable at HK\$1,106 million. The overall occupancy of the investment properties has been satisfactory throughout the year. The highly diversified nature and favourable location of the Group's investment properties have always been the contributing factors to stable recurrent earnings.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(5) Finance

With stable recurrent rental income, coupled with sales revenue from development projects and the disposal of investment properties mentioned above, the Group's gearing ratio has been reduced to approximately 23.8%, expressed as a percentage of bank and other borrowings net of cash and bank balance over shareholders' equity. Of the total borrowings, 10% was repayable within one year, 39% repayable between one and two years and 51% repayable between two and five years. As at 30th June, 2002, the Group's total asset value amounted to HK\$41 billion. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$6,858 million, comprising cash on hand of approximately HK\$3,463 million together with committed undrawn facilities of approximately HK\$3,395 million. As at 30th June, 2002, the shareholders' fund and net asset value per share of the Group was HK\$25.7 billion and HK\$6.64 respectively.

Group's gearing ratio of 23.8%

Cash resources of HK\$6,858 million

In April 2002, the Company redeemed US\$115,100,000 face value of 4% Convertible Bonds due 2002 thereby reducing the Company's foreign exchange exposure by the same amount.

In May 2002, the Company, through its wholly-owned subsidiary Golden Million Finance Corporation, issued HK\$1,500,000,000 3.75% Guaranteed Convertible Notes due 2007. The funds are used for general corporate and working capital purposes. As the new convertible notes are denominated in Hong Kong dollars, the financing will not pose additional foreign exchange risk to the Group.

With the exception of the redemption of Convertible Bonds in April 2002 which the United States dollars liability has been reduced by US\$155,385,000, there was no material change in foreign currency borrowings and the capital structure of the Group for the financial year ended 30th June, 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 30th June, 2002, the Group did not record any material exceptional changes in contingent liabilities since the previous financial year ended 30th June, 2001.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS ACTIVITIES *(Continued)*

(6) Future Developments

Property development and investments are the foremost business focus of the Group with the land bank being continuously and selectively replenished to optimise earning prospects. During the financial year and up to 31st August, 2002, new sites with a total attributable gross floor area of about 4 million square feet were acquired mainly for residential development and are expected to be completed during the next four years.

The Group affirms its commitment in building premium properties and incorporating environmentally friendly concepts and features in its new developments, project management and property management to pursue for a better quality of living and environment. At Ocean View features such as balconies, a material recovery room on each floor and outdoor solar lighting systems are incorporated. In July 2002, Property Times rated the clubhouses at Island Resort and Central Park/Park Avenue the best and second best in Hong Kong respectively in terms of variety of facilities; pricing and the ease of booking facilities. This is also evident of the Group's determination in building quality properties with market-driven facilities.



Island Resort in Siu Sai Wan has superb quality and comprehensive facilities including a resort health spa. The clubhouse was rated the best in Hong Kong by Properties Times in July 2002.

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, 2001.

CHAIRMAN'S STATEMENT *(Continued)*

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Group recognises that long-term shareholders' value can best be optimised by behaving and performing in a socially responsible manner as well as under a sustainable environment. Corporate integrity, ethics, governance and citizenship play a vital role in our daily operations and management. Professional practices that are in compliance with environmental conservation principles are applied to property development, project management, property management as well as office administration.

During the financial year, the Group sponsored 'Tree Planting for Clean Air 2002' organised on 27th April, 2002 where over 200 residents of the Group's properties planted tree at Sai Kung West Country Park. The activity was to encourage an appreciation of 'green' living.



'Tree Planting for Clean Air 2002'.

A 'Green Committee' has been established within the Group to promote environmental conservation. They formulate internal policies, organise activities including seminars and training to increase staff and public awareness of the importance of the environment in relation to quality of life and are actively involved in community events to support and contribute in making Hong Kong a better place to live in.

CHAIRMAN'S STATEMENT *(Continued)*

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY *(Continued)*

The Group was involved in and initiated a series of campaigns and activities to support environmental sustainability. Among these were '2001 International Coastal Cleanup Day' on 15th September, 2001 where over 50 staff cleaned the coast of 15 Milestone Beach along Tsuen Wan's Castle Peak Road; and a two-month campaign from 8th August, 2001 to promote recyclable waste collection at 23 of Group's selected estates.



2001 International Coastal Cleanup Day.

In January 2002, Sino Estates Management Limited, our wholly-owned subsidiary, was granted the Gold Award under the category of Green Property Management (Private Housing) and a Certificate of Merit under the category of Green Office in the 2001 Eco-Business Awards.



Sino Estates Management Limited won the Gold Award of 2001 Hong Kong ECO – Business Awards, for its outstanding efforts in environmental protection.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

During the financial year, the Group hosted various internal and external training programmes for over 2,670 employees to maintain their quality attributes, strengthen their professional knowledge and enhance their productivity. Training programmes focused on customer service and language proficiency whereby Mandarin courses were conducted for all front-line staff to maintain the high standard of customer service. In addition, training in the key areas of customer relations, information technology, self-enhancement initiatives and knowledge of environmental protection in respect of office administration, property management and project management were also fulfilled throughout the year. New courses will be developed continuously to meet corporate and specific career planning needs.

The Group runs a programme to identify employees of outstanding performance and with significant contributions; recognising them as future leaders while developing their skills to ensure they become role models for fellow colleagues. During the year, 15 employees received the Outstanding Employees Award.

PROSPECTS

The year witnessed a number of economic and political events that have driven the already sluggish economies in the United States and major countries to a higher level of economic volatility and imposed hurdles to economic recovery. Export-oriented economies have been adversely affected. The impact of the global economic climate on Hong Kong has been deflationary with rising unemployment. However, given the strong domestic economic growth in China, in particular the popularity of the Pearl River Delta region and increasing bilateral flow of capital and goods within the region, Hong Kong is well positioned to benefit.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS *(Continued)*

The announcement of the housing policy by the SAR Government in June 2002 with a view to develop a more market-driven approach to sustain the equilibrium between supply of and demand for housing is a positive catalyst for the healthy growth of not only the property industry, but the economy as a whole. With regard to the new institutional framework for public housing, organisations in relation to land and housing have been placed under one section and one Principal Official. This will be more efficient in terms of decision-making, implementation of policy, the enforcement of best practices as well as facilitating a more integrated and comprehensive approach towards land use, allocation of resources and housing supply. This reflects the SAR Government's determination to ensure the operation of a free private sector residential property market. Together with financial and tax incentives and favourable mortgage terms available to home purchasers, the industry is on course for a sustainable and healthy recovery.

During the financial year, the Group has replenished its land bank with an additional 2.6 million square feet of attributable gross floor area at fair prices. This new addition will provide stable earning prospects in the years to come. The Directors are confident of the prospects of the Group in the medium to long term.

STAFF AND MANAGEMENT

Mr. Kent Lee Wing Kan, who served on the Board for more than 17 years has retired as Executive Director with effect from 1st May, 2002. I would like to express my appreciation for his immense contributions during his directorship with the Company, and wish him a happy retirement.

Mr. Robert Lee Chi Hong and Mr. Ambrose Cheung Wing Sum, who respectively served on the Board for more than 4 years and 1 year resigned effective 12th August, 2002 and 19th September, 2002. I would like to extend my appreciation for their contributions during their directorships with the Company.

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

Robert NG Chee Siong
Chairman

Hong Kong, 24th September, 2002