

CHAIRMAN'S STATEMENT

I am pleased to present 2017/2018 Annual Report to the shareholders.

FINAL RESULTS

The Group's reported net profit attributable to shareholders for the year ended 30th June, 2018 was HK\$7,328.0 million (2016/2017: HK\$3,848.3 million). Earnings per share was HK\$4.14 (2016/2017: HK\$2.23). The reported profit for the year included a revaluation surplus (net of deferred taxation) on investment properties of HK\$1,149.1 million compared with a revaluation surplus (net of deferred taxation) of HK\$979.0 million for the last financial year 2016/2017. During the financial year 2017/2018, Sino Land Company Limited ("Sino Land") disposed 80% interest in its property development project The Palazzo, Chengdu at a consideration of HK\$10,510.9 million and has recorded a one-off gain on disposal of subsidiary of HK\$2,949.4 million and a fair value gain on the 20% interest retained of HK\$397.5 million. Excluding the one-off gain on disposal and fair value gain on the 20% interest retained for The Palazzo, the Group's net profit for the year would be HK\$3,981.1 million.

The Group's underlying net profit attributable to shareholders, excluding the effect of fair-value changes on investment properties for the year ended 30th June, 2018 and the fair value gain on the 20% interest retained for The Palazzo, was HK\$5,781.3 million (2016/2017: HK\$2,869.3 million). Underlying earnings per share was HK\$3.27 (2016/2017: HK\$1.66). Excluding the one-off gain on disposal, the Group's underlying profit for the year would be HK\$2,831.9 million.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 40 cents per share in respect of the year ended 30th June, 2018 to shareholders whose names appear on the Register of Members of the Company on 1st November, 2018. Together with the interim dividend of 13 cents per share and a special dividend of 45 cents per share both paid on 23rd April, 2018, the total dividend for the year ended 30th June, 2018 is 98 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 25th October, 2018; 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 dispatched to shareholders together with the form of election for scrip dividend on or about 8th November, 2018. It is expected that the final dividend warrants and share certificates for the scrip dividend will be dispatched to shareholders on or about 5th December, 2018.

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, 2018, Tsim Sha Tsui Properties Limited had 53.45% interest in Sino Land. Therefore, for discussion purposes, the focus here will be on the operations of Sino Land.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

(Continued)

(1) Sales Activities

Sino Land's total revenue from property sales for the year ended 30th June, 2018, including property sales of associates and joint ventures, was HK\$8,890.5 million (2016/2017: HK\$15,029.1 million).

Total revenue from property sales of Sino Land comprises mainly the sales of residential units in The Spectra (99% sold) in Yuen Long, The Mediterranean (90% sold) and Park Mediterranean (78% sold), both in Sai Kung, Botanica Bay (100% sold) in Lantau, Dragons Range (100% sold) in Kau To, Providence Bay (99% sold) in Pak Shek Kok, Marinella (99% sold) in Aberdeen and Phase II of Dynasty Park (99% sold) in Zhangzhou.

Sino Land expects to launch three residential projects for sale in the second half of 2018 subject to the timing of receiving the pre-sale consents and these projects are Madison Park in Cheung Sha Wan, Mayfair By The Sea 8 in Pak Shek Kok and Grand Central in Kwun Tong.

In Mainland China, 327 residential units out of a total of 1,268 units in Phase III of Dynasty Park in Zhangzhou were launched for sale in the first half of 2018. To date, approximately 93% of the units launched have been sold.

(2) Land Bank

As at 30th June, 2018, Sino Land has a land bank of approximately 21.9 million square feet of attributable floor area in Mainland China, Hong Kong, Singapore and Sydney which comprises a balanced portfolio of properties of which 40.0% is commercial; 36.3% residential; 11.0% industrial; 7.2% car parks and 5.5% hotels. In terms of breakdown of the land bank by status, 9.3 million square feet were properties under development, 11.8 million square feet of properties for investment and hotels, together with 0.8 million square feet of properties held for sale. Sino Land will continue to be selective in replenishing its land bank to optimise its earnings potential.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

(2) Land Bank *(Continued)*

During the year ended 30th June, 2018, Sino Land acquired in Hong Kong two sites from the HKSAR Government as well as the development rights of four sites with total attributable floor area of approximately 1.2 million square feet. Details of the projects are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Floor Area</u> <i>(Square feet)</i>
1. Nos. 139 – 147 Argyle Street, Ho Man Tin, Kowloon, Hong Kong	Residential	Joint Venture	309,707
2. NKIL 6602 Yau Tong Ventilation Building Property Development, Ko Chiu Road, Yau Tong, Kowloon, Hong Kong	Residential	Joint Venture	260,274
3. AIL 467 (Site B) Wong Chuk Hang Station Package Two Property Development, Aberdeen, Hong Kong	Residential	Joint Venture	246,496
4. NKIL 6549 Off Hing Wah Street West, Cheung Sha Wan, Kowloon, Hong Kong	Residential	22.5%	222,258
5. STTL 611 Whitehead, Ma On Shan, Sha Tin, New Territories, Hong Kong	Residential	100%	119,351
6. KIL 11254 Reclamation Street/Shantung Street, Mongkok, Kowloon, Hong Kong	Residential	Joint Venture	67,322
			1,225,408

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

(Continued)

(3) Property Development

During the year ended 30th June, 2018, Sino Land obtained Occupation Permits and Certificates of Compliance for the following three projects in Hong Kong and details of the projects are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Floor Area</u> <i>(Square feet)</i>
1. The Mediterranean 8 Tai Mong Tsai Road, Sai Kung, New Territories, Hong Kong	Residential	100%	249,133
2. The Spectra 8 Kwong Yip Street, Yuen Long, New Territories, Hong Kong	Residential	Joint Venture	209,575
3. Park Mediterranean 9 Hong Tsuen Road, Sai Kung, New Territories, Hong Kong	Residential	100%	173,796
			<hr/>
			632,504

Subsequent to the financial year 2017/2018, Sino Land obtained the Occupation Permits for two projects, namely Commune Modern at 28 Wo Fung Street, Fanling in July 2018 and The Hillside at 9 Sik On Street, Wan Chai in August 2018. Commune Modern provides a total of approximately 209,909 square feet of plot ratio area comprising approximately 135,891 square feet of residential area, approximately 34,497 square feet of commercial area and approximately 39,521 square feet of car parking spaces. The residential units are for sale (98% sold) and the commercial portion is for leasing purposes. The Hillside comprises 22 residential apartments with approximately 11,195 square feet of plot ratio area and will be held for leasing purposes.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

(3) Property Development *(Continued)*

In Mainland China, Sino Land completed Phase II of Dynasty Park in Zhangzhou with attributable floor area of approximately 1.3 million square feet during the year ended 30th June, 2018. Details of the project are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Floor Area</u> <i>(Square feet)</i>
Dynasty Park, Phase II No. 298, Tengfei Road, Xiangcheng District, Zhangzhou, Fujian Province, PRC	Residential/ Commercial	100%	1,352,508
			<hr/>
			<u>1,352,508</u>

(4) Rental Activities

For the year ended 30th June, 2018, Sino Land's gross rental revenue, including attributable share from associates and joint ventures, increased 3.3% to HK\$4,082.5 million (2016/2017: HK\$3,949.1 million) and net rental income increased 2.4% to HK\$3,572.0 million (2016/2017: HK\$3,486.0 million). Overall occupancy of Sino Land's investment property portfolio was at approximately 96% (2016/2017: 97%) for the year ended 30th June, 2018.

Sino Land's retail portfolio in Hong Kong recorded an increase in rental income with overall occupancy rate at approximately 97% (2016/2017: 98%) for the financial year 2017/2018. Leasing performance at Sino Land's flagship shopping malls, namely Tuen Mun Town Plaza Phase I, Olympic City 1, 2 and 3 was steady.

The leasing performance of Sino Land's office portfolio saw stable rental growth while overall occupancy rate was at approximately 96% (2016/2017: 97%) for the financial year 2017/2018. Leasing performance of Sino Land's industrial portfolio saw a steady rental growth despite a decrease in overall occupancy rate to approximately 93% (2016/2017: 95%).

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

(4) Rental Activities *(Continued)*

Sino Land's investment property portfolio primarily serves the need of its customers which include tenants, shoppers and the communities around the properties. The design and condition of the properties together with the quality of service provided to customers are of paramount importance. To ensure that the properties are in good condition with the proper layout and design, Sino Land would perform regular review of the properties. On service quality, Sino Land places a strong emphasis on regular training particularly for all front-line staff to ensure that the service provided to customers meets their expectations. Comments from customers, reports by silent shoppers and recognitions from professional institutions all play a role in assessing the quality of service delivered by the staff.

As at 30th June, 2018, Sino Land has approximately 11.8 million square feet of attributable floor area of investment properties and hotels in Mainland China, Hong Kong, Singapore and Sydney. Of this portfolio, commercial developments (retail and office) account for 61.9%, industrial 14.8%, car parks 12.9%, hotels 7.7%, and residential 2.7%.

(5) Hotels

Sino Land's portfolio of hotels comprises The Fullerton Hotel Singapore, The Fullerton Bay Hotel Singapore, Conrad Hong Kong, The Westin Sydney and The Olympian Hong Kong. Overall business performance of Sino Land's hotels was steady during the year ended 30th June, 2018. Sino Land will continue to improve the quality of its hotel services to ensure our discerning guests have enjoyable experiences during their stays in the hotels.

(6) Mainland China Business

China's economic structural reform continues to yield good results with GDP growth of 6.8% for three consecutive quarters partly attributable to its focus on consumption and innovation as the new drivers of economic growth. Other economic indicators have also improved such as share of the service sector and private consumption to GDP, urbanisation rate up from 52.6% to 58.5% with some 80 million people gaining permanent urban residency over the past five years. Central Government's tremendous efforts to improve the structure of the domestic economy, open up its markets and promote efficiency at a national level helped achieve a balanced economic development. On the innovation side, China ranked among the top 20 most innovative economies in the world for the first time, according to the Global Innovation Index 2018 as a result of its strategic approach to advance the country's innovation development over the recent years.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

(6) Mainland China Business *(Continued)*

On 6th July, 2018, the United States government imposed 25% import tariffs on US\$34 billion worth of Chinese goods entering the United States. Subsequently, the United States government released an additional list of Chinese goods that could be subject to further tariffs. The imposition of barrier to international trade is likely to trigger widespread supply-chain issues, reduce the competitiveness of products and slow economic growth to both countries. However, with China's shift from an export-oriented economic growth model to consumption-led growth model since the start of 2011 together with the maintenance of trade relations with countries in the European continent and Asia may help to offset some of the economic impact resulting from the protectionism approach on world trade adopted by the United States.

On the residential property sector side, China saw an increase in sales value and volume in 2017 and first half of 2018. Housing demand remained solid and level of inventory stabilised. The Chinese housing market has been affected by the Central Government's policy of reducing excess inventory; control of financial risk and increased regulatory control imposed to steer China's residential property market towards a more healthy and sustainable environment.

As at 30th June, 2018, Sino Land has approximately 5.3 million attributable square feet of land bank in Mainland China. Of the total, 4.3 million square feet of attributable floor area are projects currently under development. These projects include 100% interest in Dynasty Park in Zhangzhou, 50% interest in the serviced apartment project in Qianhai and 20% interest in The Palazzo in Chengdu.

Other than the matters mentioned above, there has been no material change from the information published in the report and accounts for the year ended 30th June, 2017.

FINANCE

As at 30th June, 2018, the Group had cash and bank deposits of HK\$22,533.5 million. After netting off total borrowings of HK\$3,796.2 million, the Group had net cash of HK\$18,737.3 million as at 30th June, 2018. Of the total borrowings, 21.8% was repayable within one year, 34.6% repayable between one and two years and the remaining between two and four years. The Group's borrowings are all subject to floating interest rates.

The majority of the Group's debts are denominated in Hong Kong dollars, with a portion in Singapore and Australian dollars. The Singapore dollars denominated debts are mainly used to fund the projects in Singapore while the Australian dollars denominated debts are mainly used to fund the project in Sydney. Other than the above-mentioned, there was no material change in foreign currency borrowings and the capital structure of the Group for the financial year 2017/2018. The majority of the Group's cash are denominated in Hong Kong dollars with a portion of Renminbi, Australian dollars and US dollars. The Group has maintained a sound financial management policy and foreign exchange exposure has been prudently kept at a minimal level.

CHAIRMAN'S STATEMENT *(Continued)*

CORPORATE GOVERNANCE The Group places great importance on corporate integrity, business ethics and good governance. With the objective of practising good corporate governance, the Group has formed Audit, Compliance, Remuneration and Nomination Committees. The Group is committed to maintaining corporate transparency and disseminates information about new developments through various channels, including press releases, its corporate website, results briefings, site visits and participation in investor conferences.

CUSTOMER SERVICE Sino Land is committed to building quality projects. In keeping with its mission to enhance customer satisfaction, Sino Land will, wherever possible, ensure that attractive design concepts and features are also environmentally friendly for its developments. Management conducts regular reviews of its properties and service so that improvements can be made on a continuous basis.

CORPORATE SOCIAL RESPONSIBILITY As a committed corporate citizen, Sino Land has been participating in a wide range of community programmes, volunteer services, green initiatives and arts events to promote sustainability, environmental protection, heritage conservation, arts and culture. In recognition of Sino Land's continuous efforts to promote sustainability and uphold standards in environmental, social and corporate governance aspects, Sino Land has been named a constituent company of the Hang Seng Corporate Sustainability Index Series since September 2012. During the financial year 2017/2018, Sino Land published Sustainability Review 2017, which has been prepared with reference to Hong Kong Exchanges and Clearing Limited's 'Environmental, Social and Governance Reporting Guide' under Appendix 27 to the Main Board Listing Rules.

To further the sustainability efforts, in April 2018, Sino Land launched the Plastic Awareness Campaign and pledged to reduce consumption of single-use plastic across all business lines by 50% by 2022 from 2017 level. In June 2018, Sino Land celebrated the 10th anniversary of 'Mission Green Top', a multifaceted programme combining urban farming, environmental protection, community engagement and social inclusion. It epitomises what Sino Land strives to achieve with CSR efforts – working with our people, partners and customers to build a greener future.

Nurturing young generations is one of our community engagement foci. To prepare talents for the technology era, Sino Land initiated the 'Go Code' project in 2014 to provide complimentary coding courses for children from underprivileged families. In 2018, 18 social service organisations and schools participated in the programme and the number of places has grown to over 1,500 from about 20 in 2014.

Dedicated to promoting arts and culture and making arts accessible to all, 'Sino Art in Community' was launched in 2013 to extend our reach into community facilities such as kindergartens, schools and children's homes through creating art pieces and organising creative workshops.

CHAIRMAN'S STATEMENT *(Continued)*

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

In March 2008, the Ng Family, the major shareholder of the Group, set up a non-profit-making organisation named Hong Kong Heritage Conservation Foundation Limited ('HCF'). HCF revitalised and converted the Old Tai O Police Station, a Grade II historic building, into a boutique hotel. Named Tai O Heritage Hotel ('Hotel'), it is home to nine colonial-style rooms and suites, and commenced operation in March 2012. The Hotel, operated by HCF as a non-profit-making social enterprise, is part of the HKSAR Government's 'Revitalising Historic Buildings Through Partnership Scheme'. The Hotel is a winner of the '2013 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation' and the first UNESCO-awarded hotel in Hong Kong.

PROSPECTS

In the 19th National Congress of the Communist Party of China delivered in October, 2017, Central Government emphasised that priority would be given to the development of Guangdong-Hong Kong-Macao Greater Bay Area Initiative ("GBA"). GBA is a strategic policy at national level spearheaded by President Xi Jinping in which Hong Kong is one of the participants. The main focus of this initiative is to transform the region into a world-class city cluster comprising 11 key cities ideal for working, living and travelling as well as an innovation and technology hub. To this end, much coordination and communication work including legislation, taxes, regulations, health care and scientific research need to be done. Policies and measures will be formulated by the Central Government to facilitate the development. Through this initiative, economic and human capital strengths of each city in the GBA can be synergised.

The two infrastructure projects, namely the sea-crossing Hong Kong-Zhuhai-Macao Bridge and the 26-km Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which would be integrated with the Guangzhou-Zhongshan-Zhuhai-Macao intercity rail project are both due to complete this year. These developments will enhance connectivity and facilitate market integration within the GBA. The building of Hong Kong-Shenzhen Innovation and Technology Park in Lok Ma Chau Loop and the Science Park in Pak Shek Kok will provide the basic ecosystem to support research and development in various important innovative areas such as healthcare, biomedical technology, artificial-intelligence, material and precision engineering. It is encouraging to see the GBA plan will soon bear fruit, transforming Hong Kong into not only a world-class city but also a 'smart city'. The growth potential and business opportunities arising therefrom can be significant and have long-lasting effects on each of the cities in the GBA region.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS *(Continued)*

China's Belt and Road Initiative ("BRI") with two routes further connected through six economic corridors and the set-up of various supranational organisations and multilateral trade agreements demonstrate Central Government's stance to promote a broader and more dynamic platform for international trade and cooperation. Both BRI and GBA are complementary to one another. While BRI represents China's economic strategy at international level across nations, the GBA is part of Central Government's economic reform in the southern part of China to narrow the economic disparities and strengthen market efficiency between cities. Hong Kong has an important role to play to support our country's development of the BRI through the GBA.

In Hong Kong, increasing land supply has been a key focus for the HKSAR Government in the last few years. In September 2017, the Task Force on Land Supply was established and started a 5-month public consultation on the supply of land for residential properties in April 2018. It is expected that the report on this public consultation will be available before the end of 2018 which should reveal a more comprehensive land supply approach. Pending this release, the HKSAR Government announced six new initiatives to tackle short-term housing supply on 29th June, 2018. The objectives for setting these housing initiatives are to (i) make subsidised sale flats more affordable by unlinking subsidised housing prices from market price; (ii) increase supply of subsidised housing units and provide further support for transitional housing supply; and (iii) encourage more timely supply of residential properties in the private sector. Four of the initiatives relate to government housing, namely (a) reallocate some private housing sites for public housing; (b) revise the pricing policy for subsidised housing to make it more affordable; (c) set up a task force to assist the community to facilitate transitional housing projects and (d) invite the project at Ma Tau Wai Road developed by Urban Renewal Authority to assign it as a Starter-Home pilot project.

Management will continue to optimise earnings, enhance efficiency and productivity and improve the quality of products and services. In respect of property development in Hong Kong, Sino Land is pleased to have acquired six sites for residential development, five of which are located in urban areas near good transportation networks with attributable floor area of approximately 1.2 million square feet during the financial year 2017/2018. Sino Land will continue to maintain a policy of selectively and continuously replenishing its land bank, which will enable it to strengthen earnings and shareholders' value. Sino Land's recurrent businesses, which comprise property leasing, hospitality and property management services, continue to contribute stable stream of income. With a good financial position, Sino Land is well-positioned to respond to the changing economic environment.

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, 30th August, 2018