

CHAIRMAN'S STATEMENT

I am pleased to present my interim report to the shareholders.

INTERIM RESULTS

The Group's unaudited consolidated net profit attributable to shareholders for the six months ended 31st December, 2006 was HK\$1,519.1 million (2005: HK\$1,066.3 million). Excluding revaluation surplus on investment properties net of deferred tax of HK\$686.4 million, the Group's underlying net profit from operations increased by 111.6% to HK\$832.7 million (2005: HK\$393.5 million).

The turnover of the Group for the interim period was HK\$1,147.9 million, representing an increase of 24.9% compared with HK\$918.5 million over the corresponding period last year. Earnings per share for the period was 34.68 cents.

The results for the interim period ended 31st December, 2006 reflect the adoption of all Hong Kong Financial Reporting Standards applicable to the Group that are effective for the accounting period.

DIVIDEND

The Directors have declared an interim dividend of 8.5 cents per share payable on 16th May, 2007 to those shareholders whose names shall appear on the Register of Members of the Company on 18th April, 2007.

The interim dividend will be payable in cash but shareholders will be given the option of electing to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

A circular containing details of the scrip dividend scheme will be despatched to shareholders together with the form of election for scrip dividend on or about 26th April, 2007. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 16th May, 2007.

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

CHAIRMAN'S STATEMENT (Continued)

BUSINESS REVIEW

(1) Sales Activities

Turnover from sales for the interim period ended 31st December, 2006 was derived from sales of residential units already completed. At associate level, earnings from property sales were derived from sales of completed residential units in Hong Kong as well as the completed Phase II of One HoneyLake in Shenzhen and Phase II of Chengdu International Community in Sichuan, details of which are presented in the table below. Market response for the two projects in mainland China was favourable. Over 80% of all the units in One HoneyLake project has been sold and subsequent phases of the Chengdu International Community will be put on the market over the next few years.

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. One HoneyLake, Phase II Xiangmei Road, Futian District, Shenzhen	Residential	50%	235,586
2. Chengdu International Community, Phase II, Xipu Zhen, Pi Xian, Jin Niu District, Chengdu, Sichuan	Residential/ Commercial	20%	325,921
			<hr/> <u>561,507</u>

In Hong Kong, Vision City, a project located in the centre of Tsuen Wan area and situated in between two railway arteries MTR Tsuen Wan line and KCR West Rail, was launched in the market in the second quarter of 2006. Market response for this project was positive with approximately 50% sold. Subsequent to the interim period, the construction of the project was completed with Occupation Permit obtained in March 2007.

In July 2006, the Group launched the sale of units in the residential project Greenfields in Guangzhou, PRC. Market response for the project was good with over 65% of the residential units sold. The project is expected to be completed in 2007.

(2) Land Bank

As at 31st December, 2006, the Group had a land bank of approximately 27.2 million square feet of attributable gross floor area comprising a balanced portfolio of properties of which 56% is residential; 28% commercial; 8% industrial; 5% car parks and 3% hotels. In terms of breakdown of the land bank by status, 16.7 million square feet consist of properties under development, 9.3 million square feet of properties for investment/own use and 1.2 million square feet of properties held for sale. The Group will continue to replenish its land bank selectively to optimise its earnings potential.

CHAIRMAN'S STATEMENT (Continued)

BUSINESS REVIEW (Continued)

(2) Land Bank (Continued)

During the interim period, the Group acquired two plots of land for property development. First, on 28th November, 2006, the Group successfully acquired a site in Kowloon Tong, Hong Kong for the development of luxury residential units. Secondly, the Group acquired an additional site at Collyer Quay in Marina Bay in Singapore on 18th December, 2006. The site is expected to be developed into a distinctive complex that features a boutique hotel together with commercial and entertainment uses. Details of the acquisitions are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. NKIL 6374 1 Broadcast Drive, Kowloon Tong, Kowloon	Residential	100%	196,590
2. Collyer Quay Singapore	Commercial/ Hotel	100%	107,640
			<hr/>
			304,230

Subsequent to the interim period end, the Group acquired a total of three sites in Hong Kong. Details of the sites are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. TPTL 188 Pak Shek Kok, Tai Po, New Territories	Residential	25%	187,447
2. TPTL 187 Pak Shek Kok, Tai Po, New Territories	Residential/ Retail	50%	172,703
3. Remaining portion of NKIL 1069 270 – 274 Cheung Sha Wan Road, Kowloon	Residential/ Retail	100%	36,497
			<hr/>
			396,647

CHAIRMAN'S STATEMENT (Continued)

BUSINESS REVIEW (Continued)

(3) Property Development

The Group expects to complete the following projects with an aggregate attributable gross floor area of approximately 2.17 million square feet in the second half of the financial year ending 30th June, 2007:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. Vision City 1 Yeung Uk Road, Tsuen Wan New Territories	Residential/ Retail	100%	1,401,472
2. One HoneyLake, Phase III Xiangmei Road, Futian District, Shenzhen	Residential	50%	212,809
3. Greenfields No. 8, Lanyu 5 Jie, Guangzhou Economic & Technological Development District, Guangzhou Lot No. SZ-8-2	Residential/ Retail	100%	314,655
4. Chengdu International Community, Phase III Xipu Zhen, Pi Xian, Jin Niu District, Chengdu, Sichuan	Residential/ Commercial	20%	249,401
			<hr/> <u>2,178,337</u>

(4) Rental Activities

Property leasing performed solidly and the gross rental revenue of the Group, including the attributable share of its associates, increased by 13.7% to HK\$782.1 million for the interim period ended 31st December, 2006. The increase in rental revenue was primarily due to positive rental increases from all sectors of the rental properties portfolio.

Supported by the continuous growth in domestic consumption and increase in salaries, the retail sector has continued to record healthy growth. Overall occupancy rate of the retail properties portfolio was high with favourable rental rates. Continuing plans are in place to redesign and renovate shopping malls so as to make them more appealing and user-friendly as well as optimise use of space. These initiatives will help enhance capital value of the retail properties.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

(4) Rental Activities *(Continued)*

Capitalising on the economic growth in Hong Kong and mainland China, the expansion of business enterprises continued to strengthen the demand for offices. The office market generally recorded strong take-up and continued to perform well during the interim period with improved occupancy and rental rates.

The industrial sector registered a robust growth due to strong demand resulting from resilient trade activities in Hong Kong and mainland China. The overall occupancy rate of our industrial buildings was good with favourable rental rates.

As at 31st December, 2006, the Group had approximately 9.3 million square feet of attributable gross floor area of properties for investment/own use. Of this portfolio, commercial developments account for 56%, industrial developments 19%, car parks 16%, hotels 7%, and 2% residential.

(5) Hotels

Visitor arrivals in Hong Kong saw a steady growth in 2006 mainly attributable to a continuous increase in business and family arrivals, with the number of visitor arrivals reaching another record high of over 25 million. During the interim period, Conrad Hong Kong achieved favourable growth in both room sales and average room rates compared with the previous interim period. With tourism industry and business travel continuing to grow, and visitor arrivals expected to increase in 2007, Conrad Hong Kong is set for further positive growth.

The Fullerton Singapore recorded a favourable growth in earnings during the interim period. Singapore's tourism and hospitality industries registered an annual growth of 9.0% and 14.5% on visitor arrivals and tourism receipts respectively in 2006. Benefiting from the strong visitor arrivals, the hotel industry saw good increase in average room rates and average occupancy rate. The Fullerton Singapore was awarded 'The Best Hotel in Asia' by Condé Nast Traveller Readers' Choice Awards (2006). Management will continue its pursuit to improve the quality of its products and services to meet the needs of discerning guests.

(6) Mainland Business

The Group's focused and selective approach to its development business in mainland China not only resulted in the successful sales of projects in Xiamen, Guangzhou, Shenzhen and Chengdu but has also given the Group a good foothold in that market. The Group has a number of development projects at prime locations in various cities, namely Shenzhen, Chengdu, Guangzhou, Xiamen, Fuzhou and Zhangzhou. The projects will be completed in phases over the next few years.

Other than the matters mentioned above, there has been no material change from the information published in the report and accounts for the financial year ended 30th June, 2006.

CHAIRMAN'S STATEMENT (Continued)

FINANCE

As at 31st December, 2006, the Group's gearing was 27.1%, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity. The decrease in gearing compared with that as at 30th June, 2006 was mainly due to the receipt of the balance of the sales proceeds from the sale of residential units in One SilverSea. Of the total borrowings, 19.3% was repayable within one year, 22.8% repayable between one and two years and 57.9% repayable between two and five years. The Group, including the attributable share of its associates, had cash resources of approximately HK\$13,896.5 million, comprising cash on hand of approximately HK\$5,217.5 million together with committed undrawn facilities of approximately HK\$8,678.9 million. Total assets and shareholders' fund of the Group were HK\$67.9 billion and HK\$43.0 billion respectively.

As at 31st December, 2006, a total of HK\$1,886,630,000 Convertible Bonds due 2009 (the "Bonds") were converted into 204,512,718 ordinary shares of Sino Land. Subsequent to the period end, additional notices have been received for the conversion of HK\$549,120,000 worth of Bonds into 60,342,854 ordinary shares, leaving a principal amount outstanding of HK\$64,250,000 or 2.57% of the original principal amount of the Bonds. Pursuant to Clause 8.3 of the Terms and Conditions of the Bonds, the Issuer of the Bonds has the option to early redeem the Bonds in whole if the principal amount outstanding is less than 10% of the principal amount originally issued. The Issuer, therefore, has already given notice to the Trustee and Principal Agent of its intention to exercise its option to redeem the outstanding balance of the Bonds.

As to the litigation between Sino Land Company Limited ("Sino Land") and Hang Lung Group Limited ("Hang Lung") in respect of acquisition of a company which owns a property in Yau Kom Tau in Tsuen Wan for development into a hotel, the Court of Final Appeal on 5th February, 2007 allowed the appeal by Sino Land. Pursuant to the judgment, on 6th February, 2007, Hang Lung repaid to Sino Land the deposit of HK\$321 million leaving assessment of interest, damages and costs to be agreed or dealt with by the courts.

There was no material change in foreign currency borrowings and the capital structure of the Group for the interim period ended 31st December, 2006. Foreign exchange exposure has been prudently kept at a minimal level. The Group's borrowings are subject to floating interest rates except for the remaining balance of the Convertible Bonds due 2009.

CORPORATE GOVERNANCE

The Group places great significance on corporate integrity, business ethics and good governance. With the objective of achieving best practice of corporate governance, the Group has established an Audit Committee, Compliance Committee and Remuneration Committee. The Group is committed to maintaining good corporate transparency as well as good communications with investors and shareholders by various channels such as non-deal roadshows, investor conferences, results briefing, site visits and corporate website to disseminate information on the Group's latest developments.

Management are pleased that the Group received a number of awards from Euromoney, Asiamoney and FinanceAsia, including Number 1 Most Improved Best Managed Company in Asia and Top Ten-Best Managed Company in Asia, from *Euromoney*. Management would like to thank everyone who nominated us for these awards. Their encouragement and support continue to motivate us to further improve the quality of our products and services.

CHAIRMAN'S STATEMENT *(Continued)*

CUSTOMER SERVICE

The Group re-affirms its commitment to building quality projects. In keeping with its mission to enhance customer satisfaction, the Group will wherever possible ensure that best design concepts and features, which are also environmentally friendly, are integral elements of its developments. Management continues to conduct regular reviews of its properties and where necessary makes improvements to maintain its reputation for the highest standards of quality and service.

Delivering high-quality customer service has long been one of the Group's key business objectives. During the period under review, the Group's property management arm, Sino Estates Management Limited, received a number of awards from HKSAR Government and renowned organisations in recognition of its quality of service, management capability, contributions to community and charity services, and promotion of environmental protection. The Group will continue to make improvements in its quality of service so as to ensure customer satisfaction and brand enhancement.

CORPORATE CITIZENSHIP

To further the Group's commitment to good corporate citizenship, the Community Care Committee (the "Committee") works closely with different charitable and voluntary organisations to organise various community services for the needy.

On the environmental protection side, the Group has collaborated with a number of international organisations focusing on promoting environmental protection to co-organise activities to inspire public interest in protecting our natural resources and encourage the concept of green living.

It is also the Group's belief that supporting local arts and cultural activities is important to foster creativity, reinforce public awareness and fulfill Hong Kong people's artistic appreciation. The Committee will continue to roll out activities for staff participation as well as to serve the community in the years to come.

PROSPECTS

The world economy as a whole went through a sustainable economic growth in 2006 and is expected to grow steadily in 2007. In China, the economic growth momentum is expected to continue and the economy to remain vibrant. The Central Government's fine-tuning fiscal and monetary measures in recent years will ensure a healthy and a balanced economic growth in the medium to long run. The affluent class in China is also growing rapidly. Combined with appreciation of Reminbi, consumer spending, housing demand and outbound travel are expected to rise, benefiting the economy of Hong Kong.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS *(Continued)*

Hong Kong registered good growth in 2006 with GDP expanding better than expected resulting in higher household income and unemployment falling to a 6-year low. The positive wealth effect has further stimulated private consumption driving retail sales. The recently announced Government Budget will be conducive to sustain a broad-based economic growth, strengthen economic competitiveness of Hong Kong and improve the people's livelihood as a whole which are positive to potential home-buyers and home-owners. The continuing growth in the Hong Kong economy, improving consumer's confidence, an increase in the number of births and marriages have led to a strengthening of demand for all types of housing. Of particular interest is the continued strong demand for quality properties. This trend is set to continue. Coupled with the availability of favourable housing mortgage terms and attractive mortgage interest rates, the outlook for the residential market is positive.

The Group continues to be well prepared to take advantage of the exciting opportunities ahead. It will continue its policy of selectively and continuously replenishing its land bank to optimise earnings and of improving the quality of its properties and services to enhance the lifestyle for its customers. The Group's acquisition of prime sites for its land bank will enable it to strengthen earnings and profitability, and continue to deliver value to its shareholders. The Directors are indeed confident in the medium to long term prospects of the Group.

STAFF AND MANAGEMENT

On behalf of the Board, I 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, 20th March, 2007