

CHAIRMAN'S STATEMENT

I am pleased to present the 2004/2005 Annual Report to shareholders.

FINAL RESULTS

The Group's audited consolidated net profit attributable to shareholders for the financial year ended 30th June, 2005 amounted to HK\$2,740.0 million, an increase of 281% compared with HK\$719.0 million in the previous financial year. The turnover of the Group was HK\$4,200.1 million. Earnings per share for the year amounted to 198.46 cents, compared with 52.53 cents in the previous financial year.

The Group has adopted in advance the new Hong Kong Accounting Standard 40 ("HKAS 40") on investment properties and the new HKAS – Interpretation 21 on Income Taxes – Recovery of Revalued Non-Depreciable Assets. Following the adoption of the new HKAS 40, all investment properties are stated at fair value and any changes in fair value of the Group's investment properties are recognised in the consolidated income statement. With the introduction of HKAS – Interpretation 21, deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use and calculated at applicable profits tax rates.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 11.5 cents per share in respect of the year ended 30th June, 2005 to shareholders whose names appear on the Register of Members of the Company on 17th November, 2005. Together with the interim dividend of 8.5 cents per share, the total dividend for the full year is 20 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, 2005; 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 21st November, 2005. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 16th December, 2005.

CHAIRMAN'S STATEMENT *(Continued)*

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, 2005, Tsim Sha Tsui Properties Limited (the "Company") had 52.38% interest in Sino Land. Therefore, for discussion purposes, we have focused on the operations of Sino Land.

Land Bank

As at 30th June, 2005, the Company's listed subsidiary, Sino Land, had a total of approximately 27.85 million square feet of attributable gross floor area, an increase of 30.57% compared with previous year. The land bank covers a broad spectrum of properties: 58% residential; 25% commercial; 9% industrial; 6% car parks and 2% hotels.

During the financial year 2004/2005, Sino Land acquired ten plots of land mainly for residential and commercial developments – KCR Wu Kai Sha Station development, commercial space in the junction of Sheung Yuet Road and Wang Chiu Road, Fuk Wing Street/Fuk Wa Street in Sham Shui Po, Ma Wo in Tai Po, 256 Hennessy Road in Wan Chai, 305 Castle Peak Road in Kowloon, 464-474 Castle Peak Road in Sham Shui Po, 20-24 Staunton Street in Central, Kwu Tung and 2004G12 North of Zhangxiang Road in Zhangzhou PRC. These projects are expected to be completed over the next 5-6 years. Upon completion, they will yield a total gross floor area of approximately 8.08 million attributable square feet of residential and commercial space.

Sino Land completed eight residential developments with gross floor area of approximately 1.89 million square feet during the financial year 2004/2005. These eight residential projects were Residence Oasis atop of MTR Hang Hau Station, Oceania Heights in Tuen Mun, The Cairnhill in mid-levels of Tai Mo Shan, The Royal Oaks in Sheung Shui, St Andrews Place in Sheung Shui, Anglers' Bay in Sham Tseng, Caldecott Hill in Piper's Hill and one project in PRC named Colonnades Court.

In the coming financial year, Sino Land expects to complete two residential developments namely One SilverSea in West Kowloon area and Mount Beacon in Kowloon Tong.

Property Sales

The buoyant economy has provided a solid foundation for home-buyers. Rising employment, continuing GDP growth, strong consumer confidence, favourable mortgage terms and rising household formations, all contributed to the resurgence of confidence in the property market, resulting in robust growth. During the financial year ended 30th June, 2005, Sino Land achieved encouraging performance in property sales yielding higher profit margins.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Property Sales *(Continued)*

Earnings from sales of projects completed during the financial year ended 30th June, 2005 were mainly derived from the sale of residential units in seven new developments namely Residence Oasis, The Royal Oaks, Oceania Heights, The Cairnhill, Anglers' Bay, Caldecott Hill and Colonnades Court. Approximately 99.5% of the units in these projects have been sold.

Sales of previously completed projects were encouraging with favourable prices being achieved. During the financial year 2004/2005, Sino Land sold all the units in Imperial Villas and Ocean View, and a substantial number of residential units in Island Resort and Island Harbourview. Other developments of Sino Land, namely Parc Palais, a luxury residential project located in the prime location of King's Park, approximately 8.0% of its units were unsold and The Cliveden 1.9%.

Mount Beacon, a luxury residential project in which Sino Land has a 33.3% interest, was launched on the market in July 2005. The project was well received in the market and the first phase sales target was achieved within a month.

The HKSAR Government has recently given its consent to the pre-sale of units in One SilverSea, a prime residential project located on the West Kowloon waterfront. Wholly-owned by Sino Land, this project is expected to be marketed within the financial year 2005/2006.

Leasing Operations

(a) Size and New Acquisitions

As at 30th June, 2005, Sino Land had approximately 9.3 million square feet of attributable gross floor area of completed investment properties. Of this portfolio, commercial developments account for 51%, industrial developments 23%, car parks 17%, hotels 7%; with the remaining 2% being residential.

Compared with 9.2 million square feet of the total gross floor area of completed investment properties attributable to Sino Land in the last financial year, the increase of approximately 0.1 million attributable square feet of rental properties was primarily due to the completion of the new Oceania Heights shopping mall project, and the acquisition of Rosedale Garden (shopping mall) and 20-24 Staunton Street in Central (residential and retail). Of the total gross floor area of these new rental properties, retail space accounts for 77% and residential for the remaining 23%.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Leasing Operations *(Continued)*

(b) Asset Enhancement

Our asset enhancement programme, being carried out in the key properties, continues to bear fruit. The main thrust of the programme is customer satisfaction. Retail shopping malls have been upgraded and redesigned to be customer-friendly while at the same time providing our valued tenants and shoppers with higher visibility and circulation of customer traffic. The programme also involves a regular review of the terms of the HKSAR Government grants under which Sino Land's properties are held. Where appropriate, the opportunity will be taken to convert the property to a use yielding a higher level of return. Enhanced rental income is expected to result from these initiatives.

Modifications were granted during the financial year 2004/2005 permitting a change of use in respect of two rental properties. Futura Plaza, which was originally an industrial building, has been converted to use as an office building. Tuen Mun Town Plaza Phase I will soon have approximately 100,000 square feet more retail space. Sino Land will derive higher rental income as a result of these modifications.

Two floors in retail area of Tsim Sha Tsui Centre have been converted into office space which has already been taken up by new tenants. The layout of the south wing of Hong Kong Pacific Centre has been redesigned so as to optimise the commercial value of the space and attract more prominent tenants.

(c) Rental Income

During the financial year 2004/2005, the retail sector recorded solid growth in rental rates mainly due to a combination of both macro fundamentals and micro factors. On the macro side, stronger consumer confidence, improved income and wealth as well as strengthening business environment resulted from increasing domestic and tourist consumption have set the backbone for positive growth. On the micro side, our marketing and promotional programme being rolled out on a regular basis has sustained shopper flow and enriched customers' shopping experience. Our three flagship retail malls Tuen Mun Town Plaza Phase I, Olympian City shopping malls, and China Hong Kong City continued to perform well.

The demand for office space has been on the uptrend with the number of overseas and local companies setting up their offices in Hong Kong reaching a new high in 2005. On the back of encouraging demand, the rental rates of most of our office buildings have firmed up in the first half of the financial year and have shown signs of an upward trend starting in the second half.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Leasing Operations *(Continued)*

(c) Rental Income (Continued)

The gross rental revenue of Sino Land, including the attributable share of its associates, increased by 8.2% to HK\$1,226.9 million for the financial year ended 30th June, 2005 compared with HK\$1,133.4 million in the previous financial year with satisfactory overall occupancy and improved rental rates in general.

Finance

As at 30th June, 2005, the Group's gearing ratio was at approximately 32.5%, expressed as a percentage of total borrowings to the total assets. Of the total borrowings, 14% was repayable within one year, 41% repayable between one and two years and 45% repayable between two and five years. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$13,840.0 million, comprising cash on hand of approximately HK\$3,577.4 million together with committed undrawn facilities of approximately HK\$10,262.6 million.

In November 2004, Sino Land, through its wholly-owned subsidiary, Getsmart Finance Limited, issued HK\$2.5 billion 1.625% Guaranteed Convertible Bonds due 2009. The transaction received an overwhelming response from a wide spectrum of investors and, as a result, the 'Green Shoe' was exercised. Fund raised on this transaction was for general corporate purposes. The new Convertible Bonds are denominated in Hong Kong dollars.

There was no material change in foreign currency borrowings and the capital structure of the Group for the financial year ended 30th June, 2005. Foreign exchange exposure has been prudently kept at a minimal level. The Group's borrowings are subject to floating interest rates except for the Convertible Bonds due 2009.

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 2004/2005, new sites with a total attributable gross floor area of about 8.08 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.

Other than the abovementioned, there was no material change from the information published in the report and accounts for the financial year ended 30th June, 2004.

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.

(1) Community Care and Social Services

In furtherance of Sino Land's strong commitment to good corporate citizenship, the Community Care Committee (the "Committee") was set up in the financial year 2003/2004 to promote environmental protection initiatives, organise social community services and charitable events.

As a committed and responsible corporate citizen, Sino Land has been working closely with different charitable and voluntary organizations to hold various community services for the needy. It has also participated in a number of charitable events.

It is Sino Land's belief that local arts and cultural activities are of utmost importance in fostering creativity, elevating the appreciation ability and improving the quality of life of the Hong Kong people. Our keen interest in supporting local arts and cultural activities can be seen by our action to sponsor various musicals and theatrical performances. 'Zheng He and the Emperor', 'Love in a Fallen City 2005', 'One of the Lucky Ones', 'The King and I' and 'Saturday Night Fever' were among the many programmes that we have supported.

Sino Land has also taken part in sharing business knowledge and expertise with other social service organisations and educational bodies through workshops and internship programmes. Our aim is to offer our younger generation, with strong interest in developing their career in property or hotel field, an opportunity to gain a real life experience and broaden their horizons.

Our efforts in community services have been well recognized. As a result, Sino Land, along with its subsidiary Sino Estates Management Limited ("SEML") has been awarded the 2004-2005 Caring Company Logo by the Hong Kong Council of Social Service. This is the second time for Sino Land to have won the award and the third for SEML.

On the environmental protection front, Sino Land has collaborated with organisations such as Green Power, Friends of the Earth and the World Wide Fund for Nature to arrange and support events and activities to arouse public awareness of and interest in protecting our nature; educate people ways of protecting our environment; and encourage the concept of green living.

The Committee will continue to roll out more activities for the staff and the community in the years to come.

CHAIRMAN'S STATEMENT *(Continued)*

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY *(Continued)*

(2) Property Management Services

During the financial year under review, Sino Land's wholly-owned property management arm, SEML received a number of awards from various organisations in recognition of its quality of service, management capability, contributions in community and charity services, and promotion of environmental protection.

SEML has long identified the importance of energy saving in the context of environmental protection and cost saving for the customers. For the last two years, considerable time and resources have gone into efforts to reduce the consumption of electricity and to ensure its more efficient use. As a result of these endeavours, SEML has been able to lower levels of electricity consumption in four main areas namely lighting, electrical appliances or equipment, air conditioning and lift and escalator. Over 50 properties managed by SEML have been granted certificates under The Hong Kong Energy Efficiency Registration Scheme for Buildings by the Electrical and Mechanical Services Department of the HKSAR Government.

SEML was also awarded the Wastewi\$e Logo for four projects and Gold Wastewi\$e Logo for another six projects from the Environmental Protection Department in the financial year 2004/2005 adding to the twelve previous awards received in the financial year 2003/2004. SEML also received a Certificate of Merit for Green SME of the 2004 Hong Kong Econ-Business Awards for a residential project called Serenity Park.

As of 30th June, 2005, SEML won a number of prizes for its service standard and quality in the Quality Building Management Competition in many districts namely Wan Chai District, Eastern District, Yau Tsim Mong District, Kowloon City District, Shatin District, Tuen Mun District, Tai Po District, Kwai Ching District and Yuen Long District organized by District Councils of the HKSAR Government. SEML will continue to improve its service in its relentless pursuit of better lifestyle for its customers.

In the pursuit of healthy living and a better quality of life, SEML has made strenuous efforts to keep high standard of hygiene. A number of projects under SEML's management have been awarded certificates under the Fresh Water Plumbing Quality Maintenance Recognition Scheme by Water Supplies Department of the HKSAR Government in addition to the sixty-four projects that were awarded the certificates previous financial year. Such projects include Island Resort, Sky Horizon, 38 Repulse Bay Road, Haddon Court, Hong Kong Gold Coast, Windsor Heights, Long Beach Gardens, Majestic Park, Sea Crest Terrace, Waterside Plaza, 148 Electric Road, Tsim Sha Tsui Centre, Empire Centre, Shatin Galleria, Marina House and Chai Wan Industrial City Phases I and II.

CHAIRMAN'S STATEMENT *(Continued)*

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

(Continued)

(2) **Property Management Services** *(Continued)*

Eight projects including Island Resort, Pacific Palisades and Grand Dynasty View received the Certificate of Merit for Promoting Good Housekeeping by Occupational Safety and Health Council. In addition, eight projects including Grand Palisades, Windsor Heights, Shatin Galleria, Corporation Park and Leader Industrial Centre were awarded the Workplace Hygiene Charter by both Occupational Safety & Health Council and the Labour Department.

Best Result Cleaning Services Limited, a wholly-owned subsidiary of Sino Land specializing in cleaning, pest control, grease and water tank cleaning, can rightly be proud of the fact that twelve properties under their cleaning management won awards in several major cleaning competitions namely 2004 Kwun Tong District Private Buildings Cleansing Competition, 2004-2005 North District Private Buildings Cleansing Competition and 2004-2005 Kowloon City District Private Buildings Cleansing Competition. It also won the champions in other cleaning competitions organized by Kowloon-Canton Railway Corporation and Mass Transit Railway Corporation.

Sino Security Services Limited, a wholly-owned subsidiary of Sino Land, has continued to donate its used-uniforms to the Salvation Army on a regular basis since 2004. The Youth Pre-employment Training Programme, first began in 2001, will continue as an on-going programme to assist young people who are interested in gaining more on-the-job training and experience.

EMPLOYEE PROGRAMMES

Human capital is one of the most important assets of the Group. As at 30th June 2005, Sino Land employed approximately 5,800 staff members. During the financial year 2004/2005, Sino Land held various internal and external training programmes for its employees designed, inter alia, to raise yet higher the standard of service, promote staff's awareness of the need to first understand the varying needs of their customers better to provide them with quality care and service. Language proficiency, professional knowledge, management know-how, corporate governance, productivity and efficiency are all areas that are addressed by various programmes and seminars.

Courses are organized to improve language skills; customer relations and customer service; information technology; self-enhancement initiatives and environmental conservation. Office administration, property management and project management as well as knowledge in relation to corporate governance are also high on the training agenda.

Our mission is to be recognized as the Group that consistently provides Hong Kong with the very best in products and service and, ultimately, to make the Group the 'Number One Choice for Customers, Investors and Employees'.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

(Continued)

New courses will continually be developed to meet corporate and specific career planning needs. During the year, a number of new courses or seminars were introduced, comprising seminars on the new code of corporate governance, issues in relation to connected transactions and notifiable transactions and code for dealing in the company's securities by relevant employees to enable all the key and relevant staff to better understand the issues involved.

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 the Group's policy that all staff members, in particular those in front-line positions, must uphold meticulous standards in customer service.

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 financial year 2004/2005, several workshops and seminars on team-building and leadership were organised in order to promote the spirit and skills of teamwork.

PROSPECTS

Hong Kong's GDP fared better than expected in the second quarter of the year, thanks to the resilient global economy and broad-based economic growth in Hong Kong. The steady rise in home prices has released many home-owners from negative equity, with numbers declining to a record low. There is a perceptible "feel good" factor in the economy, resulting from greater confidence in the stability of asset values. Levels of spending per household have continued to rise in line with the rise in income and real estate values thereby stimulating consumption. Mortgage rates continue favourable, as they are on a structure of Prime rate minus a credit spread. In the current healthy economic climate home-buyers remain optimistic that asset values will remain firm, and the affordability of home-owners is not expected to be affected to any significant degree by interest rates. The tourism and hospitality industry sectors have continued the upward momentum with numbers of long-haul visitors on the increase. Solid economic fundamentals and other positive factors have offset the impact of rising interest rates in Hong Kong.

The Close Economic Partnership Agreement between Hong Kong and PRC (CEPA) will afford a wide range of Hong Kong enterprises the opportunity of enjoying the benefits of complementary economic characteristics between the two economies. The increased levels of mutual cooperation between Hong Kong and the PRC resulting from CEPA are now beginning to produce results, thereby further enhancing the competitiveness of Hong Kong corporations and generating a higher level of wealth in the economy.

Recent HKSAR Government land auctions have also had a positive effect on the property market in Hong Kong, sending a signal for a solid and continuous growth. As to the future, growth is sustainable, economic fundamentals remain intact and the economic outlook is promising, with the Group well positioned to benefit.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS *(Continued)*

The Group will continue its policy of selectively and continuously replenishing its land bank to optimise earnings and of improving the quality of its products and services so as to enhance the lifestyle for its customers. The Group's acquisition of prime sites for its land bank will enable us to strengthen our earnings and profitability, and continue to deliver value to our shareholders. The Directors are indeed confident in the medium to long term prospects of the Group.

STAFF AND MANAGEMENT

Mr. Paul Cheng Ming Fun, who served the board for more than 8 years resigned effective 31st May, 2005. His immense contribution during his directorship with the Company is greatly appreciated.

I would like to extend a warm welcome to Mr. Adrian David Li Man-kiu and Mr. Steven Ong Kay Eng who joined the Board as Independent Non-executive Directors with effect from 28th April, 2005 and 1st July, 2005. Their knowledge, experience and international insight will certainly prove to be of great benefit to the Group. Further, with effect from 1st July, 2005, Mr. Ronald Joseph Arculli was re-designated as Non-executive Director of the Company.

I would also like to take this opportunity to welcome Mr. Daryl Ng Win Kong who joined the Board as Executive Director with effect from 28th April, 2005.

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, 2005