

CHAIRMAN'S STATEMENT

I am pleased to present the 2005/2006 Annual Report to shareholders.

FINAL RESULTS

For the year ended 30th June, 2006, the Group's audited consolidated net profit attributable to shareholders was HK\$3,141 million. Excluding revaluation surplus on investment properties net of deferred tax of HK\$686 million, the underlying net profit from operations increased significantly to HK\$2,455 million, representing an increase of 80.1% compared with HK\$1,363 million reported in the previous financial year.

The turnover of the Group increased by approximately 99.5% to HK\$8,382 million compared with the previous financial year. Earnings per share for the year were 224.5 cents compared with 198.5 cents in the previous financial year.

The results for the year ended 30th June, 2006 reflect the adoption of all Hong Kong Financial Reporting Standards applicable to the Group that are effective for accounting periods beginning on or after 1st January, 2005.

DIVIDEND

The Directors have resolved to recommend a final dividend of 30 cents per share in respect of the year ended 30th June, 2006 to shareholders whose names appear on the Register of Members of the Company on 16th November, 2006. Together with the interim dividend of 7 cents per share, the total dividend for the full year is 37 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 16th November, 2006; 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 20th November, 2006. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 15th December, 2006.

REVIEW OF OPERATIONS

The operations under Sino Land Company Limited ("Sino Land") represent a substantial portion of the operations of the Group as a whole. As at 30th June, 2006, Tsim Sha Tsui Properties Limited (the "Company") had 54.02% interest in Sino Land. Therefore, for discussion purposes, we have focused on the operations of Sino Land.

Sales Activities

Turnover from sales of Sino Land for the financial year ended 30th June, 2006 was mainly derived from sales of residential units in One SilverSea in West Kowloon. At associate level, earnings from property sales were mainly derived from sales of residential units in Mount Beacon in Kowloon Tong, Hong Kong and One HoneyLake in Shenzhen.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Sales Activities *(Continued)*

For the financial year 2005/2006, the Group completed 4 projects namely One SilverSea, Mount Beacon, Phase I of One HoneyLake and the first phase of Chengdu International Community with a total of approximately 1.2 million square feet, of which first two projects are located in Hong Kong with an aggregate attributable gross floor area of 944,012 square feet and the remaining two projects located in mainland China with an aggregate attributable gross floor area of 299,239 square feet.

Mount Beacon, a luxurious residential project located in Kowloon Tong, was launched on the market in July 2005 with over 70% of all the units sold. Sino Land has 33.3% interest in the project.

One SilverSea, a luxurious project located on the West Kowloon waterfront commanding an unobstructed panoramic view of Hong Kong Island, was launched in late September 2005. The project was well received with over 80% of the total residential units sold.

Sino Land also launched Vision City, a residential development located in the centre of Tsuen Wan and served by two railway arteries namely MTR Tsuen Wan Station and KCR Tsuen Wan West Station on the West Rail, to the market in April 2006. Market response for this first phase of marketing programme was positive with over 40% of its 1,466 units sold.

In respect of the residential projects in mainland China, the Group has launched a total of three projects to market.

One HoneyLake is a joint venture in which Sino Land has a 50% interest. Located alongside the Honey Lake in the Futian area in Shenzhen, the development consists of a total of 447 units comprising semi-detached houses, terrace houses, low-rise and high-rise apartments. All the houses and low-rise apartments have been marketed in phases and the response was positive with virtually all of the units sold. In respect of sales of high-rise apartments, market response has been encouraging.

Chengdu International Community, Sichuan is a joint venture in which Sino Land has a 20% interest. Approximately 1,170 units in the development were rolled out in six batches under phase one. The project was well received by home-buyers and over 80% of the units placed on the market were sold. It is anticipated that there will be eight more phases to be launched over the next few years.

In July 2006, the Group commenced to market approximately half of the total residential units in Greenfields, a wholly-owned residential and retail project located in Guangzhou. Over 65% of the units launched have been sold.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

(Continued)

Land Bank

As at 30th June, 2006, the Company's listed subsidiary, Sino Land, had a total of approximately 27.5 million square feet of attributable gross floor area. The land bank covers a broad spectrum of properties: 57% residential; 27% commercial; 8% industrial; 5% car parks and 3% hotels. In terms of breakdown of the land bank by status, 17.1 million square feet were properties under development, 9.4 million square feet properties for investment/own use and 1.0 million square feet properties held for sales. The Group will continue to replenish its land bank selectively to optimise its earnings potential.

On 27th September, 2005, Sino Land acquired, for residential and retail development, two plots of contiguous land (KIL 11167 and KIL 11168) nearby the residential and commercial complex of Olympian City in West Kowloon. The development of both sites is in the form of joint venture in which Sino Land has 50% interest. With a total gross floor area of approximately 1.09 million square feet, these additional sites will contribute in aggregate 547,987 square feet of attributable gross floor area to the Group.

Property Development

Sino Land expects to complete four residential and commercial developments namely Vision City in Tsuen Wan, Greenfields in Guangzhou, the remaining phases of One HoneyLake in Shenzhen and approximately 85,000 square feet of Chengdu International Community in Sichuan with an aggregate attributable gross floor area of approximately 2.2 million square feet in the next financial year ending 30th June, 2007.

Rental Activities

The gross rental revenue of Sino Land, including the attributable share of its associates, increased by 14% to HK\$1,400 million for the financial year ended 30th June, 2006 compared with HK\$1,226 million in the previous financial year. The increase in rental revenue predominately resulted from positive rental increases across all sectors of the rental portfolio.

The demand for retail space continued to grow steadily during the financial year 2005/2006. Pay rises, increasing household formations, increase in the number of births, and the continuing economic growth have been the key drivers for boosting domestic consumption. Tourist spending has further improved retail sales. Given the locations of Sino Land's retail properties and on-going asset enhancement initiatives, Sino Land's major retail malls namely, Tuen Mun Town Plaza Phase I, Olympian City 1 and 2, the retail spaces in Tsim Sha Tsui Centre and China Hong Kong City are well positioned to gain.

The Hong Kong office sector has benefited from business expansion in recent years. The number of overseas and local companies has been on the rise with increasing number of companies hosting their regional headquarters or regional offices in Hong Kong. As a result, the Group enjoyed a positive growth in office rental revenue for the financial year 2005/2006.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Rental Activities *(Continued)*

The industrial sector has grown in parallel with the robust performance of external trade in Hong Kong. The positive economic growth in Asia will bolster bilateral flows of people, goods and services in the region. Trade liberalization measures between mainland China and Hong Kong being rolled out in recent years and infrastructure development connecting Hong Kong and Pearl River Delta region will strengthen business activities in the two territories. Overall, rental revenue from the Group's industrial buildings experienced an upward trend.

As at 30th June, 2006, Sino Land had approximately 9.4 million square feet of attributable gross floor area of properties for investment/own use. Of this portfolio, commercial developments account for 54%, industrial developments 20%, car parks 15%, hotels 8%; with the remaining 3% being residential.

Hotels

The continuing economic growth in Asia Pacific region and mainland China has increased both business and leisure travel to Hong Kong and Singapore. Increase in business activities has brought about a strong increase in room revenue for both The Fullerton Singapore and Conrad Hong Kong for the financial year ended 30th June, 2006.

In Hong Kong, government statistics showed that visitor arrivals to Hong Kong for the period between July 2005 and June 2006 reached 24.5 million, an increase of 7.9% compared with the corresponding period of the previous year. The increase in middle-class income group in the mainland will also boost independent travel benefiting high-end hotels. Combined with the HKSAR Government's strategy and various thematic campaigns and initiatives such as '2006 Discover Hong Kong', 'the Culture & Heritage Celebration' and 'A Symphony of Lights' to promote Hong Kong as a preferred tourist destination in Asia, Conrad Hong Kong is set for positive growth. During financial year under review, Conrad Hong Kong recorded good growth in earnings.

Sino Land aims to provide and maintain the highest standards of customer service. During the financial year 2005/2006, the Sino Land's hotels received a number of awards from renowned organisations in recognition of their quality of service, hotel management capability and quality of the food and beverage of their restaurant outlets. Management will continue its policy of improving the quality of its products and services so as to ensure customer satisfaction.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

(Continued)

Mainland Business

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

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, 2005.

FINANCE

As at 30th June, 2006, the Group's gearing ratio was at approximately 42.9%, expressed as a percentage of total borrowings to the total assets. The increase in gearing compared with that as at 30th June, 2005 was mainly due to land bank acquisitions for development purpose and utilisation of credit facilities for existing development projects. Of the total borrowings, 23% was repayable within one year, 31% repayable between one and two years and 46% repayable between two and five years. The Group, including the attributable shares of its associates, had cash resources of approximately HK\$10,918 million, comprising cash on hand of approximately HK\$3,740 million together with committed undrawn facilities of approximately HK\$7,178 million. Total asset and shareholders' fund of the Group were HK\$58.3 billion and HK\$16.5 billion respectively.

With regard to the litigation matter concerning an Agreement dated 19th December, 1996 entered into between subsidiary companies of Sino Land and Hang Lung Development Company Limited ("Hang Lung"), the Court of Appeal on 30th December, 2005 handed down a judgment dismissing Sino Land's appeal, finding in favour of Hang Lung. Acting on legal advice, Sino Land has lodged an appeal with the Court of Final Appeal against the judgment of the Court of Appeal, which has been set down for hearing in early 2007. As the outcome of this appeal remains uncertain, the Directors are of the opinion that no provision in respect of the deposit paid and other liabilities arising from the Agreement should be made for the financial year ended 30th June, 2006.

There was no material change in foreign currency borrowings and the capital structure of the Group for the year ended 30th June, 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 Convertible Bonds due 2009.

CHAIRMAN'S STATEMENT *(Continued)*

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 Audit Committee, Compliance Committee and Remuneration Committee. Sino Land is committed to maintaining good corporate transparency as well as good communication 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 Sino Land's latest developments.

CUSTOMER SERVICE Sino Land 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 Sino Land's key business objectives. During the period under review, Sino Land'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 in community and charity services, and promotion of environmental protection. Sino Land will continue to make improvement in its quality of service so as to ensure customer satisfaction and enhance branding.

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 organizations 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.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS

The global economy witnessed solid economic growth in the financial year 2005/2006. Policy-makers in the major economies fine-tuned their monetary measures during the period, in the interests of a long-term economic growth. Notwithstanding volatility in energy and commodity prices, the macro economic outlook for Hong Kong remains positive supported by the strength of exports and domestic consumption.

The measures introduced by the Central Government to better manage investment growth and establish a sustainable property market are now beginning to take effect, serving to further strengthen the economy and ensure a sustainable level of healthy economic growth. The programme, such as Closer Economic Partnership Arrangement III and Qualified Domestic Institutional Investor focusing on tightening economic cooperation initiated and implemented by the Central Government that foster further collaborative ties between mainland China and Hong Kong, offer tremendous opportunities for business enterprises. The infrastructure developments taken place in both territories will further connect the two, leading to an even higher level of economic integration. The growing integration between mainland China and Hong Kong is a powerful engine and will provide Hong Kong an even stronger platform to advance further and drive new exciting growth in the years ahead.

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 so as to enhance the lifestyle for its customers. The Group's acquisition of prime sites for its land bank will enable it to strengthen the 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 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, 18th September, 2006