

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

INTERIM RESULTS

The Group's unaudited consolidated net profit attributable to shareholders for the six months ended 31st December, 2005 was HK\$1,066.3 million (2004 : HK\$1,462.2 million). As anticipated, no development project was completed for this interim period due to project timing and this explains the decrease in net profit. However, based on current development progress, the Group expects to complete two projects, namely Mount Beacon and One SilverSea in the financial year ending 30th June, 2006. These two projects have been well received by the market and approximately 80% of their combined total units have already been sold. The turnover of the Group was HK\$918.5 million. Earnings per share for the period was 24.73 cents.

The results for the interim period ended 31st December, 2005 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 declared an interim dividend of 8.5 cents per share payable on 17th May, 2006 to those shareholders whose names appear on the Register of Members of the Company on 21st April, 2006.

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, 2006. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 17th May, 2006.

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

BUSINESS REVIEW

(1) Property Sales

As anticipated for this interim period, no development project was completed due to project timing. Earnings from sales therefore were derived from sales of properties already completed. At associate level, sales revenue were mainly derived from sales of units in Parc Palais, Island Resort and Central Park.

Two new projects in Hong Kong, expected to be completed in the financial year ending 30th June, 2006, were rolled out during the interim period. Mount Beacon, a luxurious residential project located in Kowloon Tong was launched on the market in July 2005. The project was well received with approximately 64% of all units already sold. 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. Approximately 83% of the units were sold as a result of a good market response.

CHAIRMAN'S STATEMENT (Continued)

BUSINESS REVIEW (Continued)

(1) Property Sales (Continued)

In addition to these Hong Kong projects, sales of residential units in two developments in Mainland China commenced during the interim period.

One HoneyLake is a joint venture in which Sino Land has a 50% interest. Located alongside the Honey Lake in Shenzhen, the development consists of a total of 447 units. Approximately 129 units comprising terrace houses, low rise apartments and some semi-detached houses were launched to the market in phases. Market response was encouraging. Of the total units launched to market, approximately 70% were sold.

Chengdu International Community is a joint venture in which Sino Land has a 20% interest. Approximately 556 units in the development were marketed in three batches under phase one. The project was well received by home buyers, and approximately 90% of the units placed on the market were sold. It is expected that there are eight more phases to be launched over the next few years.

(2) Land Bank

As at 31st December, 2005, the Group had land bank of approximately 28.3 million square feet of attributable gross floor area comprising a balanced portfolio of properties of which 59% is residential; 26% commercial; 8% industrial; 5% car parks and 2% hotels. In terms of breakdown of the land bank by status, 18.3 million square feet consist of properties under development, 9.3 million square feet of completed investment properties and 0.7 million square feet of properties held for sales. The Group will continue to replenish its land bank selectively to optimise its earnings potential.

On 27th September, 2005, the Group acquired, for residential and retail development, two plots of contiguous land nearby the residential and commercial complex of Olympian City in West Kowloon. With a total gross floor area of some 1.09 million square feet, the additional sites will contribute in aggregate approximately 547,986 square feet of attributable gross floor area to the Group. Details of these acquisitions are as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> (Square feet)
1. KIL 11167 Hoi Wang Road and Hoi Ting Road, West Kowloon	Residential/ Retail	50%	249,411
2. KIL 11168 Hoi Ting Road, West Kowloon	Residential/ Retail	50%	298,575
			<hr/>
			<u>547,986</u>

CHAIRMAN'S STATEMENT (Continued)

BUSINESS REVIEW (Continued)

(3) Property Development

During the interim period ended 31st December, 2005, no development project had been completed. However, the Group expects to complete the following projects by 30th June, 2006, with an aggregate attributable gross floor area of approximately 944,012 square feet:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u>	<u>Attributable Gross Floor Area</u> <i>(Square feet)</i>
1. One SilverSea, Hoi Fai Road, West Kowloon	Residential/ Retail	100%	843,621
2. Mount Beacon, Kowloon Tong, Kowloon	Residential	33.3%	100,391
			<hr/>
			944,012

(4) Property Investment

The gross rental revenue of the Group, including the attributable share of its associates, increased by 20.6% to HK\$687.8 million for the interim period ended 31st December, 2005 compared with HK\$570.0 million in the previous interim period.

During the interim period ended 31st December, 2005, the Group's rental properties recorded favourable growth in both occupancies and rental rates in general. The main contributor to the increase in rental income has been the retail portfolio. On the local front, encouraging economic prospects coupled with a feel-good factor generated by pay rises, an increase in asset values and further improving employment prospects have contributed to an increase in consumer spending. Tourist consumption has also been a major spur to the growth in retail business, with the appreciation of the RMB in July 2005 boosting the purchasing power of mainland tourists. On the back of the growing retail sales combined with the Group's asset enhancement programme, the four flagship retail malls Tuen Mun Town Plaza Phase I, Olympian City shopping malls, Island Resort mall, and China Hong Kong City recorded high occupancies and positive growth in rental income.

Office rental has experienced a strong growth in the second half of 2005 mainly due to the increase in demand for office on the part of both overseas and local companies. Many firms are now actively engaged in expanding their businesses and operations which is positive to the office sector.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

(4) Property Investment *(Continued)*

The Group's asset enhancement programme is focused on customer satisfaction, loyalty, and maintaining the shopping malls' attractiveness. The programme involves a series of initiatives including renovations and adjustment to tenant mix in response to changing customer demand. The Group is committed to a policy of asset enhancement geared to increasing rental income and the enhancement of capital value.

As at 31st December, 2005, the Group had approximately 9.3 million square feet of attributable gross floor area of completed investment properties. Of this portfolio, commercial developments account for 53%, industrial developments 21%, car parks 17%, hotels 7%; with the remaining 2% being residential. Given the diversified portfolio of the Group's rental properties, the Group is well positioned to gain from rising rental. Moreover, it is anticipated that a total of approximately 1.38 million square feet of attributable gross floor area of commercial space will be completed throughout the next four years which will provide additional rental income for the Group. Majority of the commercial space will be designated for retail use which forms part either of a commercial/residential complex or an office building.

(5) Hotels

The robust growth in business activities, healthy development in the regional tourism and the HKSAR Government's support and promotion of Hong Kong as Asia's premier international city augurs well for the tourism industry. Two of the Group's hotels namely The Fullerton Singapore and Conrad Hong Kong recorded good growth in earnings during the interim period ended 31st December, 2005.

The Group aims to provide and maintain the highest standards of customer service. During the period under review, the Group received a number of awards from renowned organisations in recognition of its quality of service, hotel management capability and quality of the food and beverage of its restaurant outlets. Management will continue its policy of improving the quality of its products and services so as to ensure customer satisfaction and enhance branding.

(6) Mainland Business

The Group'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 the Group a good foothold in that market. The Group 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 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, 2005.

CHAIRMAN'S STATEMENT *(Continued)*

FINANCE

As at 31st December, 2005, the Group's gearing was 35%, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity. 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, 12% was repayable within one year, 13% repayable between one and two years and 75% repayable between two and five years. The Group, including the attributable share of its associates, had cash resources of approximately HK\$9,266 million, comprising cash on hand of approximately HK\$2,354.1 million together with committed undrawn facilities of approximately HK\$6,911.9 million. Total asset and shareholders' fund of the Group were HK\$55.1 billion and HK\$34.9 billion respectively.

In a litigation matter concerning an Agreement dated 19th December, 1996 entered into between the subsidiary companies of the Company and Hang Lung Development Company Limited ("Hang Lung"), the Court of Appeal on 30th December, 2005 handed down a judgment dismissing the Company's appeal against the judgment of a judge of the Court of First Instance dated 2nd August, 2004, finding in favour of Hang Lung. Acting on legal advice, the Company has lodged an appeal with the Court of Final Appeal against the judgment of the Court of Appeal. The Directors have been advised that this appeal is likely to be heard by the Court of Final Appeal in early 2007. On the basis of the uncertainty of the outcome of this appeal, 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 interim period ended 31st December, 2005.

There was no material change in foreign currency borrowings and the capital structure of the Group for the interim period ended 31st December, 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.

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. The Group 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 Group's latest developments.

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.

CHAIRMAN'S STATEMENT *(Continued)*

CUSTOMER SERVICE *(Continued)*

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 in community and charity services, and promotion of environmental protection. The Group will continue to make improvement in its quality of service so as to ensure customer satisfaction and enhance branding.

CORPORATE CITIZENSHIP

The Group acknowledges its corporate responsibilities to society. It believes that the long-term interests of shareholders can best be optimised by conducting business in a socially responsible manner and by adopting, where possible, environmentally friendly practices in its daily operations and business development.

In furtherance of the Group's strong commitment to good corporate citizenship, the Community Care Committee (the "Committee") has been working closely with different charitable and voluntary organizations to hold various community services to serve the needy. On the environmental protection side, the Group has collaborated with organisations such as Green Power, Friends of the Earth and the World Wide Fund for Nature to co-organise 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. It is also the Group'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. The Committee will continue to roll out more activities for staff participation as well as to serve the community in the years to come.

PROSPECTS

While the US economy continued to expand, in Europe several key countries were also able to record improvements in their economic environment. Japan has shown signs of economic recovery with improved exports coupled with modest growth in domestic consumption and investment. Hong Kong is on the path of a broad-based economic recovery with its solid economic fundamentals and robust economic development in Mainland China contributing to further growth.

With increasing economic activities, including exports, Hong Kong's GDP continued to record favourable growth in 2005. The Closer Economic Partnership Arrangement (CEPA), now entering the third phase of liberalising trade between Mainland China and Hong Kong, have created more and more business opportunities. The Pan-Pearl River Delta Regional Co-operation Framework Agreement also facilitates business activity between Mainland provinces and Hong Kong. Existing companies both local and foreign have expanded their sphere of operations in Hong Kong, while the number of new companies establishing an office in Hong Kong has continued to increase, further fuelling the increase in investment. The employment situation has improved, with the unemployment rate at a 4-year low. Pay rises and household wealth moved up gradually. An increase in household income has brought about an increase in consumer spending. The tourism industry has grown from strength to strength, with visitor arrivals reaching 23.4 million in 2005. Against this backdrop, demand for retail, office and industrial properties has firmed, and sustained and steady growth in these sectors is expected.

CHAIRMAN'S STATEMENT *(Continued)*

PROSPECTS *(Continued)*

Due to improving economic prospects and increased confidence in the future, the number of marriages has also increased for two consecutive years. Favourable mortgage terms, positive sentiments and various immigration schemes introduced by the HKSAR Government shall be conducive to a healthy growth in the residential sector. The HKSAR Government's Budget for 2006/2007 will provide further encouragement to homebuyers as it extends tax deduction for home loan interest by a further 3 years from 7 years to a total of 10 years. On the whole, Hong Kong economy is gaining strength, the economic outlook is positive; demand for residential properties, especially quality developments in prime locations is strong.

The Group 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 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, 16th March, 2006