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## TAI SANG LAND DEVELOPMENT LIMITED

### 大生地產發展有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 89)

#### 2012 INTERIM RESULTS

The board of directors of Tai Sang Land Development Limited (the “Company”) is pleased to announce the unaudited Condensed Consolidated Interim Financial Information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2012 as follows:

#### 1. CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2012 – UNAUDITED

|   | Note | For the six months<br>ended 30th June |             |
|---|------|---------------------------------------|-------------|
|   |      | 2012                                  | 2011        |
|   |      | HK\$'000                              | HK\$'000    |
| Revenues                                  | (2)  | 106,031                               | 88,419      |
| Cost of sales                             | (3)  | (29,438)                              | (30,616)    |
| Gross profit                              |      | 76,593                                | 57,803      |
| Fair value gains on investment properties |      | 230,957                               | 489,453     |
| Other gains/(losses), net                 | (4)  | 1,134                                 | (1,268)     |
| Administrative expenses                   | (3)  | (36,971)                              | (35,886)    |
| Other operating expenses                  | (3)  | (9,127)                               | (7,464)     |
| Operating profit                          |      | 262,586                               | 502,638     |
| Finance income                            | (5)  | 50                                    | 6           |
| Finance costs                             | (5)  | (8,047)                               | (3,341)     |
| Finance costs, net                        |      | (7,997)                               | (3,335)     |
| Profit before income tax                  |      | 254,589                               | 499,303     |
| Income tax expense                        | (6)  | (13,386)                              | (16,493)    |
| Profit for the period                     |      | 241,203                               | 482,810     |
| Attributable to:                          |      |                                       |             |
| Owners of the Company                     |      | 231,283                               | 461,949     |
| Non-controlling interests                 |      | 9,920                                 | 20,861      |
|   |      | 241,203                               | 482,810     |
| Dividend                                  | (7)  | 14,383                                | 8,630       |
| Interim dividend per share                | (7)  | HK5 cents                             | HK3 cents   |
| Earnings per share (basic and diluted)    | (8)  | HK80 cents                            | HK161 cents |

**2. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30TH JUNE 2012 – UNAUDITED**

|   | <b>For the six months<br/>ended 30th June</b> |                 |
|---|---|-----------------|
|   | <b>2012</b>                                   | <b>2011</b>     |
|   | <i>HK\$'000</i>                               | <i>HK\$'000</i> |
| Profit for the period   | <b>241,203</b>                                | 482,810         |
| Other comprehensive income  |   |                 |
| Net fair value loss on available-for-sale financial assets                                | <b>(8,186)</b>                                | (2,211)         |
| Impairment loss on available-for-sale financial assets<br>transferred to income statement | –   | 2,001           |
| Exchange translation difference   | <b>29</b>                                     | 14              |
| Other comprehensive income for the period   | <b>(8,157)</b>                                | (196)           |
| Total comprehensive income for the period   | <b>233,046</b>                                | 482,614         |
| Total comprehensive income attributable to:   |   |                 |
| Owners of the Company   | <b>223,014</b>                                | 460,447         |
| Non-controlling interests   | <b>10,032</b>                                 | 22,167          |
|   | <b>233,046</b>                                | 482,614         |

**3. CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30TH JUNE 2012 – UNAUDITED**

|   | <i>Note</i> | As at<br><b>30th June</b><br><b>2012</b><br><i>HK\$'000</i> | As at<br>31st December<br>2011<br><i>HK\$'000</i> |
|---|-------------|---|---|
| Non-current assets                                |             |   |   |
| Property, plant and equipment                     |             | 195,421   | 198,694   |
| Investment properties                             |             | 4,740,218   | 4,481,358   |
| Available-for-sale financial assets               |             | 66,366  | 74,552  |
| Prepayments                                       |             | 9,970   | –   |
|   |             | <u>5,011,975</u>  | <u>4,754,604</u>                                  |
| Current assets                                    |             |   |   |
| Properties for sale                               |             | 101,331   | 101,331   |
| Debtors and prepayments                           | (9)         | 23,348  | 34,196  |
| Current income tax recoverable                    |             | 607   | 2,395   |
| Cash and cash equivalents                         |             | 37,646  | 49,607  |
|   |             | <u>162,932</u>  | <u>187,529</u>                                    |
| Current liabilities                               |             |   |   |
| Rental and other deposits                         |             | 38,904  | 37,286  |
| Creditors and accruals                            | (10)        | 37,873  | 42,671  |
| Current income tax liabilities                    |             | 28,499  | 27,219  |
| Short term bank loans – secured                   |             | 365,000   | 353,000   |
| Bank overdrafts – secured                         |             | 5,560   | 2,789   |
| Current portion of long term bank loans – secured |             | 132,652   | 1,859   |
|   |             | <u>608,488</u>  | <u>464,824</u>                                    |
| Net current liabilities                           |             | <u>(445,556)</u>  | <u>(277,295)</u>                                  |
| Total assets less current liabilities             |             | <u>4,566,419</u>  | <u>4,477,309</u>                                  |

|   | <i>Note</i> | As at<br><b>30th June</b><br><b>2012</b><br><i>HK\$'000</i> | As at<br>31st December<br>2011<br><i>HK\$'000</i> |
|---|-------------|---|---|
| <b>Non-current liabilities</b>              |             |   |   |
| Long term bank loans – secured              |             | –   | (131,637)   |
| Deferred income tax liabilities             |             | <b>(82,569)</b>   | (73,079)  |
|   |             | <u><b>(82,569)</b></u>                                      | <u>(204,716)</u>                                  |
| <b>Net assets</b>                           |             | <u><b>4,483,850</b></u>                                     | <u>4,272,593</u>                                  |
| <b>Equity</b>                               |             |   |   |
| Equity attributable to the Company's owners |             |   |   |
| Share capital                               |             | <b>287,670</b>  | 287,670   |
| Reserves                                    |             | <b>4,032,461</b>  | 3,823,830   |
| 2011 final dividend proposed                |             | –   | 20,137  |
| 2012 interim dividend declared              |             | <b>14,383</b>   | –   |
|   |             | <u><b>4,334,514</b></u>                                     | <u>4,131,637</u>                                  |
| <b>Non-controlling interests</b>            |             | <b>149,336</b>  | 140,956   |
|   |             | <u><b>4,483,850</b></u>                                     | <u>4,272,593</u>                                  |

## (1) Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2012 (the “Condensed Consolidated Interim Financial Information”) has been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets at fair value, and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group had net current liabilities of HK\$445,556,000 as at 30th June 2012. The current liability mainly included short term bank loans of HK\$365,000,000 and the current portion of a long term bank loan of HK\$132,652,000. Based on the Group’s history of refinancing, its available banking facilities and its assets backing, the directors consider that the Group will be able to obtain sufficient financial resources so as to enable it to operate and meet its liabilities as and when they fall due.

Except as described below, the accounting policies and methods of computation used in the preparation of the Condensed Consolidated Interim Financial Information are consistent with those used in the annual report for the year ended 31st December 2011 (the “2011 Annual Report”). The Condensed Consolidated Interim Financial Information should be read in conjunction with the 2011 Annual Report, which has been prepared in accordance with the Hong Kong Financial Reporting Standards.

The following amendments to standards are mandatory for accounting periods beginning on or after 1st January 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

|                     |   |
|---------------------|---|
| HKFRS 7 (Amendment) | Disclosures – Transfer of Financial Assets          |
| HKAS 1 (Amendment)  | Presentation of Items of Other Comprehensive Income |

New standards and amendments to standards that have been issued but are not effective for the financial year ending 31st December 2012, which are relevant to the Group’s operation but have not been early adopted by the Group:

|                                    |  |
|------------------------------------|--|
| HKFRS 7 (Amendment)                | Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>(1)</sup>   |
| HKFRS 9                            | Financial Instruments <sup>(3)</sup>   |
| HKFRS 10                           | Consolidated Financial Statements <sup>(1)</sup>   |
| HKFRS 12                           | Disclosure of Interests in Other Entities <sup>(1)</sup>   |
| HKFRS 10, 11 and 12<br>(Amendment) | Consolidated Financial Statements, Joint Arrangements and<br>Disclosure of Interests in Other Entities: Transition Guidance <sup>(1)</sup> |
| HKFRS 13                           | Fair Value Measurement <sup>(1)</sup>  |
| HKAS 19 (2011)                     | Employee Benefits <sup>(1)</sup>   |
| HKAS 27 (2011)                     | Separate Financial Statements <sup>(1)</sup>   |
| HKAS 32 (Amendment)                | Offsetting Financial Assets and Financial Liabilities <sup>(2)</sup>   |
| HKFRSs (Amendment)                 | Annual Improvements 2010 <sup>(1)</sup>  |

<sup>(1)</sup> Effective for the Group for annual period beginning on 1st January 2013

<sup>(2)</sup> Effective for the Group for annual period beginning on 1st January 2014

<sup>(3)</sup> Effective for the Group for annual period beginning on 1st January 2015

The Group will apply the above new standards and amendments to standards from 1st January 2013 or later periods. The Group has already commenced an assessment of the related impact to the Group. The Group does not expect substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

**(2) Segment information**

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The board of directors considers the business from a geographic perspective and has identified the operating segments of the Group in Hong Kong and North America.

The board of directors assesses the performance of the operating segments based on their underlying profit/(loss), which is measured by profit after income tax excluding fair value changes on investment properties and deferred income tax on fair value changes on investment properties, and their segment assets and segment liabilities which is measured in a manner consistent with that in the Condensed Consolidated Interim Financial Information.

There are no sales between the operating segments.

## Operating segments

|   | Hong Kong<br><i>HK\$'000</i> | North<br>America<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------|-------------------------------------|--------------------------|
| <b>For the six months ended 30th June 2012</b>                                |                              |                                     |                          |
| Segment revenues  |                              |                                     |                          |
| Property rental   | 73,210                       | 21,835                              | 95,045                   |
| Property related services   | 4,908                        | –                                   | 4,908                    |
| Hotel operations  | 6,078                        | –                                   | 6,078                    |
|   | <u>84,196</u>                | <u>21,835</u>                       | <u>106,031</u>           |
| Total segment revenues  |                              |                                     |                          |
| Segment results – underlying profit   |                              |                                     |                          |
| – Property rental and related services  | 14,246                       | 2,334                               | 16,580                   |
| – Hotel operations  | 531                          | –                                   | 531                      |
| Fair value gains on investment properties                                     | 208,859                      | 22,098                              | 230,957                  |
| Deferred income tax expense on fair value gains on investment properties, net | –                            | (6,865)                             | (6,865)                  |
|   | <u>223,636</u>               | <u>17,567</u>                       | <u>241,203</u>           |
| Profit for the period   |                              |                                     |                          |
| Included in segment results:  |                              |                                     |                          |
| Finance income  | 45                           | 5                                   | 50                       |
| Finance costs   | (6,679)                      | (1,368)                             | (8,047)                  |
| Income tax expense ( <i>note</i> )  | (6,508)                      | (13)                                | (6,521)                  |
| Depreciation  | (6,221)                      | (497)                               | (6,718)                  |
|   | <u>27,037</u>                | <u>4,765</u>                        | <u>31,802</u>            |
| Capital expenditure   |                              |                                     |                          |
|   | <u>27,037</u>                | <u>4,765</u>                        | <u>31,802</u>            |
| <b>As at 30th June 2012</b>   |                              |                                     |                          |
| Property, plant and equipment   | 181,925                      | 13,496                              | 195,421                  |
| Investment properties   | 4,296,850                    | 443,368                             | 4,740,218                |
| Prepayments   | 9,970                        | –                                   | 9,970                    |
|   | <u>4,488,745</u>             | <u>456,864</u>                      | <u>4,945,609</u>         |
| Non-current assets (excluding available-for-sale financial assets)            |                              |                                     |                          |
| Non-current available-for-sale financial assets                               | 66,366                       | –                                   | 66,366                   |
| Current assets  | 137,644                      | 25,288                              | 162,932                  |
|   | <u>4,692,755</u>             | <u>482,152</u>                      | <u>5,174,907</u>         |
| Segment assets  |                              |                                     |                          |
| Current liabilities   | 465,140                      | 143,348                             | 608,488                  |
| Non-current liabilities   | 44,377                       | 38,192                              | 82,569                   |
|   | <u>509,517</u>               | <u>181,540</u>                      | <u>691,057</u>           |
| Segment liabilities   |                              |                                     |                          |

|   | Hong Kong<br><i>HK\$'000</i> | North<br>America<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------|-------------------------------------|--------------------------|
| For the six months ended 30th June 2011                                       |                              |                                     |                          |
| Segment revenues  |                              |                                     |                          |
| Property rental   | 67,172                       | 16,995                              | 84,167                   |
| Property related services   | 4,252                        | –                                   | 4,252                    |
| Total segment revenues  | <u>71,424</u>                | <u>16,995</u>                       | <u>88,419</u>            |
| Segment results – underlying profit/(loss)                                    |                              |                                     |                          |
| – Property rental and related services  | 8,953                        | (1,969)                             | 6,984                    |
| Fair value gains on investment properties                                     | 435,735                      | 53,718                              | 489,453                  |
| Deferred income tax expense on fair value gains on investment properties, net | –                            | (13,627)                            | (13,627)                 |
| Profit for the period   | <u>444,688</u>               | <u>38,122</u>                       | <u>482,810</u>           |
| Included in segment results:  |                              |                                     |                          |
| Impairment loss on available-for-sale financial assets                        | (2,001)                      | –                                   | (2,001)                  |
| Finance income  | 1                            | 5                                   | 6                        |
| Finance costs   | (1,966)                      | (1,375)                             | (3,341)                  |
| Income tax expense ( <i>note</i> )  | (2,853)                      | (13)                                | (2,866)                  |
| Depreciation  | (4,856)                      | (762)                               | (5,618)                  |
| Capital expenditure   | <u>22,699</u>                | <u>2,707</u>                        | <u>25,406</u>            |
| As at 31st December 2011  |                              |                                     |                          |
| Property, plant and equipment   | 184,706                      | 13,988                              | 198,694                  |
| Investment properties   | 4,064,850                    | 416,508                             | 4,481,358                |
| Non-current assets (excluding available-for-sale financial assets)            | 4,249,556                    | 430,496                             | 4,680,052                |
| Non-current available-for-sale financial assets                               | 74,552                       | –                                   | 74,552                   |
| Current assets  | 166,880                      | 20,649                              | 187,529                  |
| Segment assets  | <u>4,490,988</u>             | <u>451,145</u>                      | <u>4,942,133</u>         |
| Current liabilities   | 451,358                      | 13,466                              | 464,824                  |
| Non-current liabilities   | 41,752                       | 162,964                             | 204,716                  |
| Segment liabilities   | <u>493,110</u>               | <u>176,430</u>                      | <u>669,540</u>           |

*Note:* The amount excludes deferred income tax expense on fair value changes on investment properties.



**(3) Cost and expenses**

|  | <b>For the six months ended 30th June</b> |                 |
|--|---|-----------------|
|  | <b>2012</b>                               | <b>2011</b>     |
|  | <b>HK\$'000</b>                           | <b>HK\$'000</b> |
| Depreciation   | 6,718                                     | 5,618           |
| Outgoings in respect of  |   |                 |
| – investment properties  | 17,577                                    | 21,423          |
| – properties for sale  | 2,648                                     | 6,013           |
| – property related services                                      | 3,444                                     | 2,851           |
| – property, plant and equipment                                  | 482                                       | 329             |
| – hotel operations   | 2,910                                     | –               |
| Operating lease rental for office premises to a related company  | 1,650                                     | 739             |
| Staff costs  | 21,893                                    | 21,354          |
| Others   | 18,214                                    | 15,639          |
|  | <hr/>                                     | <hr/>           |
| Total cost of sales, administrative and other operating expenses | <b>75,536</b>                             | <b>73,966</b>   |

**(4) Other gains/(losses), net**

|   | <b>For the six months ended 30th June</b> |                 |
|---|---|-----------------|
|   | <b>2012</b>                               | <b>2011</b>     |
|   | <b>HK\$'000</b>                           | <b>HK\$'000</b> |
| Dividend income from listed available-for-sale financial assets | 1,023                                     | 683             |
| Profit on disposal of plant and equipment, net                  | 111                                       | 50              |
| Impairment loss on available-for-sale financial assets          | –   | (2,001)         |
|   | <hr/>                                     | <hr/>           |
|   | <b>1,134</b>                              | <b>(1,268)</b>  |

**(5) Finance income and costs**

|   | <b>For the six months ended 30th June</b> |                 |
|---|---|-----------------|
|   | <b>2012</b>                               | <b>2011</b>     |
|   | <b>HK\$'000</b>                           | <b>HK\$'000</b> |
| Finance income                                |   |                 |
| Interest income from banks                    | 50  | 6               |
|   | <hr/>                                     | <hr/>           |
| Finance costs                                 |   |                 |
| Interest expense of bank loans and overdrafts |   |                 |
| wholly repayable within five years            | (5,966)                                   | (3,242)         |
| Amortised transaction cost on bank loans      | (1,805)                                   | –               |
| Other bank charges                            | (276)                                     | (99)            |
|   | <hr/>                                     | <hr/>           |
|   | <b>(8,047)</b>                            | <b>(3,341)</b>  |
|   | <hr/>                                     | <hr/>           |
| Finance costs, net                            | <b>(7,997)</b>                            | <b>(3,335)</b>  |

**(6) Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. No overseas taxation (2011: HK\$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the period, except for the minimum United States state tax.

The amount of income tax charged to the condensed consolidated income statement represents:

|                         | <b>For the six months ended 30th June</b> |                 |
|-------------------------|---|-----------------|
|                         | <b>2012</b>                               | <b>2011</b>     |
|                         | <b>HK\$'000</b>                           | <b>HK\$'000</b> |
| Current income tax      |   |                 |
| – Hong Kong profits tax | <b>3,883</b>                              | 3,546           |
| – overseas taxation     | <b>13</b>                                 | 13              |
|                         | <hr/>                                     | <hr/>           |
|                         | <b>3,896</b>                              | 3,559           |
| Deferred income tax     | <b>9,490</b>                              | 12,934          |
|                         | <hr/>                                     | <hr/>           |
|                         | <b>13,386</b>                             | 16,493          |
|                         | <hr/> <hr/>                               | <hr/> <hr/>     |

**(7) Dividend**

|   | <b>For the six months ended 30th June</b> |                 |
|---|---|-----------------|
|   | <b>2012</b>                               | <b>2011</b>     |
|   | <b>HK\$'000</b>                           | <b>HK\$'000</b> |
| Interim, declared, of HK5 cents<br>(2011: HK3 cents) per ordinary share | <b>14,383</b>                             | 8,630           |
|   | <hr/> <hr/>                               | <hr/> <hr/>     |

At a meeting held on 24th August 2012, the directors declared an interim dividend of HK5 cents per ordinary share for the year ending 31st December 2012. This declared dividend is not reflected as a dividend payable in this Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2012.

**(8) Earnings per share**

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$231,283,000 (2011: HK\$461,949,000) and on 287,669,676 (2011: 287,669,676) ordinary shares in issue during the period.

As there are no dilutive potential ordinary shares for the six months ended 30th June 2012 and 2011, the diluted earnings per share is equal to the basic earnings per share.

**(9) Debtors and prepayments**

Included in debtors and prepayments are trade debtors of HK\$429,000 (at 31st December 2011: HK\$747,000) and their ageing analysis is as follows:

|              | <b>As at<br/>30th June<br/>2012<br/>HK\$'000</b> | <b>As at<br/>31st December<br/>2011<br/>HK\$'000</b> |
|--------------|--|--|
| Current      | 400  | 549  |
| 31-60 days   | 22   | 184  |
| 61-90 days   | 7  | 3  |
| Over 90 days | –  | 11   |
|              | <hr/>  | <hr/>  |
|              | <b>429</b>                                       | <b>747</b>   |
|              | <hr/> <hr/>                                      | <hr/> <hr/>  |

The trade debtors represent rental and management fee receivables. Sales are made on open account terms and the Group normally does not grant credit period to rental receivables, and grants 30 days credit period to management fees receivables.

**(10) Creditors and accruals**

Included in creditors and accruals are trade creditors of HK\$4,989,000 (at 31st December 2011: HK\$6,655,000) and their ageing analysis is as follows:

|              | <b>As at<br/>30th June<br/>2012<br/>HK\$'000</b> | <b>As at<br/>31st December<br/>2011<br/>HK\$'000</b> |
|--------------|--|--|
| Current      | 4,472  | 5,998  |
| 31-60 days   | 235  | 124  |
| 61-90 days   | –  | 18   |
| Over 90 days | 282  | 515  |
|              | <hr/>  | <hr/>  |
|              | <b>4,989</b>                                     | <b>6,655</b>   |
|              | <hr/> <hr/>                                      | <hr/> <hr/>  |

## **CHAIRMAN'S STATEMENT**

### **Result**

I am pleased to report that the Group's underlying profit for the first half of 2012, excluding the effect of fair value changes on investment properties, was approximately HK\$17.1 million, increased by HK\$10.1 million or 144% as compared to the corresponding figure of HK\$7.0 million for the same period of 2011. The increase in the underlying profit was mainly attributable to the increase in the rental income from both Hong Kong and USA properties. These are considered the fruitful results from the Group's allocation of internal resources for properties upgrading in the recent years.

The Group's consolidated profit for the first half of 2012 was HK\$241.2 million, a decrease of 50% as compared to consolidated profit for the same period last year of HK\$482.8 million. The consolidated profit for the first half of 2012 included fair value gains on investment properties (net of deferred tax) of HK\$224.1 million, as compared to fair value gains on investment properties (net of deferred tax) of HK\$475.8 million for the same period last year.

As at 30th June 2012, the investment properties of the Group were revalued at HK\$4,740.2 million (31st December 2011: HK\$4,481.4 million). Total equity amounted to HK\$4,483.9 million (31st December 2011: HK\$4,272.6 million).

### **Dividend**

The directors have declared an interim dividend of HK5 cents (2011: HK3 cents) per ordinary share.

### **Outlook**

The uncertainties of the eurozone sovereign debt situation continue to threaten the global market. The eurozone economy is still stuck in the mire and affecting the demand and hampering the economy of Asia as a whole. The policies of the HKSAR Government have yet to launch and new directions may pose changes to the market. For examples, the impact of the resumption of the Home Ownership Scheme is not yet clear.

The Group will continue to allocate resources for upgrading the existing property portfolio and putting the properties into better usage to yield higher return.

**William Ma Ching Wai**

*Chairman*

Hong Kong, 24th August 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and prospects

In Hong Kong, the gross rental income increased 8.9% or HK\$6.0 million to HK\$73.2 million as compared to the same period last year. Following the completion of the first phase major property enhancement at Tai Sang Container and Godown Centre, the rental contribution increased by HK\$4.8 million as compared to the same period last year. The rental demand for the luxury residential units and shops stabilized in the mid-2012. The hotel development at Wong Chuk Hang is expected to start by the year end and Express Industrial Building will therefore be progressively ceased for rental by the third quarter of 2012. The rental income from the industrial sectors will therefore diminish in the second half of 2012 and the coming years.

The operation of Hotel LBP started in October 2011 and contributed positive cash flow to the Group for the first half of 2012. The hotel room charge income contributed HK\$6.1 million to the Group's revenue for the first half of 2012. The occupancy for the first half of 2012 was 80.6% in average. It is expected that there will be profit contribution from the hotel operation for the year 2012.

In the USA, the rental income from Montgomery Plaza increased significantly by 28.2% or HK\$4.8 million to HK\$21.8 million as compared to the same period last year. The office spaces occupancy rate of Montgomery Plaza increased to 93.4% at mid-year 2012 and the average office rent per square feet per annum increased moderately to US\$36.2. The rental will stabilize for the second half of 2012.

### The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased HK\$13.9 million to HK\$503.2 million. The total equity increased HK\$211.3 million to HK\$4,483.9 million (at 31st December 2011: HK\$4,272.6 million). The debt to equity ratio was 11.2% (at 31st December 2011: 11.5%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

The Group has adopted and maintained the policy of reliance on short-term finances which is more economical because of lower interest rate. In light of the low debt ratio and long term harmonious relationship with our bankers, we consider this policy will continue to be used to lower the operation cost and the current policy would not impose any liquidity risks.

### Capital structure of the Group

The capital structure of the Group has not changed materially from the last annual report. The Group's borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

|                      | <b>As at<br/>30th June<br/>2012<br/>HK\$'000</b> | <b>As at<br/>31st December<br/>2011<br/>HK\$'000</b> |
|----------------------|--|--|
| – within one year    | <b>132,652</b>                                   | 1,859  |
| – in the second year | –  | 131,637  |
|                      | <b><u>132,652</u></b>                            | <b><u>133,496</u></b>                                |

The Group's total bank borrowings of HK\$503.2 million (at 31st December 2011: HK\$489.3 million) are secured by certain properties with an aggregate carrying amount of HK\$3,006.5 million (at 31st December 2011: HK\$2,888.9 million).

### **Significant investment held and their performance and future prospects**

The Group held certain listed investments with fair value as at 30th June 2012 of HK\$46.37 million (at 31st December 2011: HK\$53.55 million).

The Group held 12% equity interest in The Yangtze Ventures Limited and The Yangtze Ventures II Limited (collectively "Yangtze"). The fair value of the Group's equity interest in Yangtze as at 30th June 2012 was HK\$20.0 million (at 31st December 2011: HK\$21.0 million).

### **Details of number and remuneration of employees**

Including the directors of the Group as at 30th June 2012, the Group employed a total of 164 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

### **INTERIM DIVIDEND AND RECORD DATE**

The Board of Directors has resolved to declare an interim dividend of HK5 cents (2011: HK3 cents) per ordinary share, payable on 26th September 2012 to shareholders whose names standing on the register of members at the close of business on 14th September 2012 (the "Record Date"). In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 14th September 2012.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's issued shares during the period.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Code on Corporate Governance Practices and the code provisions of Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period from 1st January 2012 to 31st March 2012 and the period from 1st April 2012 to 30th June 2012 respectively.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Codes for Securities Transactions by Directors of Listed Issuers (the "Model Codes") contained in Appendix 10 of the Listing Rules.

On specific enquires made, all Directors have confirmed that, in respect of the accounting period covered by the interim report, they have complied with the required standard set out in the Model Codes and the Company's code of conduct regarding Directors' securities transactions.

## **INDEPENDENT REVIEW**

The interim results have been reviewed by the Audit Committee of the Company. The interim results for the six months ended 30th June 2012 are unaudited, but have also been reviewed by PricewaterhouseCoopers, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A Report on Review of Interim Financial Information is included in the interim report to be sent to shareholders.

By Order of the Board  
**William Ma Ching Wai**  
*Chairman*

Hong Kong, 24th August 2012

### **Registrar and Transfer office**

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

*As at the date of this announcement, the Board comprised of eleven Directors, of which Mr. Ma Ching Wai, William, Mr. Ma Ching Hang, Patrick, Mr. Ma Ching Kuen, Alfred, Ms. Ma Ching Sau, Amy, Ms. Ma Ching Man, Katy, Ms. Ma Ching Keung, Ruth and Mr. Ma Ching Yeung, Philip are Executive Directors, Mr. Cheung Wing Yui, Edward is Non-executive Director, and Mr. Chau Kwok Fun, Kevin, Mr. Tan Soo Kiu and Mr. Wong Hing Kwok, William are Independent Non-executive Directors.*