



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)

2006 INTERIM RESULTS

Note:-

1. Basis of preparation and accounting policies

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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2005.

The Group adopted HKAS 19 (Amendment) — Employee Benefits, HKAS 39 (Amendment) — The Fair Value Option, HKAS 39 and HKFRS 4 (Amendment) — Financial Guarantee Contracts, HKFRS 7 — Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1 — Presentation of Financial Statements — Capital Disclosures and HKFRS Int 4 — Determining whether an Arrangement contains a Lease, as at 1st January 2006. The adoption of above accounting policies did not have significant impact on the Group's results and financial position.

The HKICPA has issued certain new standards, interpretations and amendments which are not yet effective for the year ending 31st December 2006. The Group has not early adopted the above standards, interpretations and amendments in the unaudited condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the financial statements will result.

2. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual report for the year ended 31st December 2005.

3. Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied 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 2005.

4. Turnover, revenues and segment information

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format. The operations of the Group is organised into three main business segments, namely property rental, property sales and property related services, and are located in Hong Kong and North America.

There are no sales between the geographical segments.

Unallocated income represented interest income and dividend income. Unallocated costs represented corporate administrative expenses.

Segment assets consist primarily of property, plant and equipment, properties, leasehold land, debtors and prepayments, assets classified as held for sale and operating cash. Unallocated assets include available-for-sale financial assets, current income tax recoverable and cash and cash equivalents, which are for the corporate use.

Segment liabilities comprise rental and other deposits, creditors and accruals, liabilities classified as held for sale. Unallocated liabilities include current and deferred income tax liabilities and corporate borrowings.

An analysis of the Group's revenues and results for the period by business and geographical segments is as follows:

Primary reporting format - business segments

For the six months ended 30th June 2006

	Property rental HK\$'000	Property sales HK\$'000	Property related services HK\$'000	Total HK\$'000
Turnover				
Total revenues	84,793	1,000	7,272	93,065
Inter-segment revenue	—	—	(2,868)	(2,868)
External revenues	84,793	1,000	4,404	90,197
Segment results	47,340	59	3,842	51,241
Fair value gains on investment properties	113,121	—	—	113,121
Unallocated income	—	—	—	681
Unallocated costs	—	—	—	(29,339)
Operating profit	—	—	—	135,704
Finance costs	—	—	—	(12,553)
Profit before income tax	—	—	—	123,151
Income tax expense	—	—	—	(462)
Profit for the period	—	—	—	122,689
Capital expenditure				
- segment	7,989	—	—	7,989
- unallocated	—	—	—	2,439
Depreciation and amortisation				
- segment	1,189	172	—	1,361
- unallocated	—	—	—	3,611
As at 30th June 2006				
Segment assets	2,527,252	103,869	11,977	2,643,098
Unallocated assets	—	—	—	240,735
Total assets				2,883,833
Segment liabilities	423,060	1,440	13,546	438,046
Unallocated liabilities	—	—	—	373,544
Total liabilities				811,590

For the six months ended 30th June 2005

	Property rental HK\$'000	Property sales HK\$'000	Property related services HK\$'000	Total HK\$'000
Turnover				
Total revenues	82,566	215	7,128	89,909
Inter-segment revenue	—	—	(2,735)	(2,735)
External revenues	82,566	215	4,393	87,174
Segment results	56,397	(1)	3,434	59,830
Fair value gains on investment properties	81,830	—	—	81,830
Unallocated income	—	—	—	676
Unallocated costs	—	—	—	(26,410)
Operating profit	—	—	—	115,926
Finance costs	—	—	—	(7,258)
Profit before income tax	—	—	—	108,668
Income tax expense	—	—	—	(17,887)
Profit for the period	—	—	—	90,781
Capital expenditure				
- segment	5,360	—	—	5,360
- unallocated	—	—	—	8,363
Depreciation and amortisation				
- segment	1,238	172	—	1,410
- unallocated	—	—	—	4,021

As at 31st December 2005

	Property rental HK\$'000	Property sales HK\$'000	Property related services HK\$'000	Total HK\$'000
Segment assets	2,411,714	104,037	11,298	2,527,049
Unallocated assets	—	—	—	224,767
Total assets				2,751,816
Segment liabilities	426,777	1,462	13,114	441,353
Unallocated liabilities	—	—	—	355,830
Total liabilities				797,183

For the six months ended 30th June

	Turnover		Segment results	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	68,710	62,692	42,987	46,639
North America	21,487	24,482	8,254	13,191
	90,197	87,174	51,241	59,830

There are no sales between the geographical segments.

Segment assets

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Hong Kong	2,387,615	2,237,491
North America	496,218	514,325
	2,883,833	2,751,816

5. Operating profit

Operating profit is stated after crediting and charging the following:

	2006 HK\$'000	2005 HK\$'000
Gross rental income		
- investment properties	77,041	75,337
- properties for sale	7,752	7,229
Dividend from listed available-for-sale financial assets	681	537
Gain on disposal of an investment property	230	—
Gain on disposal of listed available-for-sale financial assets	—	139
Gain on disposal of property, plant and equipment	—	1,676
Interest income	372	110
Charging		
Amortisation of leasehold land	2,190	2,189
Cost of properties sold	—	45
Depreciation	2,782	3,242
Loss on disposal of property, plant and equipment	149	—
Operating lease rental for office premises	571	384
Outgoings in respect of		
- investment properties	27,018	16,591
- properties for sale	2,247	2,413
Staff costs (including directors' emoluments and retirement benefit costs)	16,396	15,060

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 subsidiary companies (collectively the "Group") for the six months ended 30th June 2006 as follows:

1. CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2006 — UNAUDITED

	Note	For the six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Turnover	4	90,197	87,174
Cost of sales		(32,533)	(21,800)
Gross profit		57,664	65,374
Fair value gains on investment properties		113,121	81,830
Other gains		681	676
Administrative expenses		(29,339)	(26,410)
Other operating expenses		(6,423)	(5,544)
Operating profit	5	135,704	115,926
Finance costs	6	(12,553)	(7,258)
Profit before income tax		123,151	108,668
Income tax expense	7	(462)	(17,887)
Profit for the period		122,689	90,781
Attributable to:			
- equity holders of the Company		121,087	85,965
- minority interests		1,602	4,816
		122,689	90,781
Interim dividend	8	20,137	20,137
Interim dividend per share	8	HK7 cents	HK7 cents
Earnings per share (basic and diluted)	9	HK42 cents	HK30 cents

2. CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30TH JUNE 2006 - UNAUDITED

	Note	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Non-current assets			
Property, plant and equipment	11	76,094	76,823
Properties under development	11	49,895	43,920
Investment properties	11	2,150,890	2,266,720
Leasehold land	11	152,580	154,598
Available-for-sale financial assets		55,499	36,209
Loan to an investee company		12,000	12,000
		2,496,958	2,590,270
Current assets			
Properties for sale		103,862	104,034
Debtors and prepayments	12	17,636	17,730
Current income tax recoverable		310	237
Assets classified as held for sale	10	230,288	—
Bank balances and cash		33,779	38,542
Restricted bank deposit		1,000	1,003
		386,875	161,546
Current liabilities			
Rental and other deposits		26,163	29,266
Creditors and accruals	13	31,340	37,789
Liabilities classified as held for sale	10	12,616	—
Current income tax liabilities		5,211	4,037
Short term bank loans - secured		53,900	31,000
Bank overdrafts - secured		6,268	4,391
Current portion of long term bank loans		137,563	98,017
		273,061	204,500
Net current assets/(liabilities)		113,814	(42,954)
Total assets less current liabilities		2,610,772	2,547,316
Non-current liabilities			
Long term bank loans		(284,773)	(328,594)
Deferred income tax liabilities		(253,756)	(264,089)
		(538,529)	(592,683)
Net assets		2,072,243	1,954,633
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		287,670	287,670
Reserves		1,689,464	1,568,761
2005 final dividend proposed		—	23,013
2006 interim dividend declared		20,137	—
		1,997,271	1,879,444
Minority interests		74,972	75,189
Total equity		2,072,243	1,954,633

6. Finance costs

	For the six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Interest expense of bank loans and overdrafts wholly repayable within five years	13,246	7,510
Amount capitalised in properties under development	(693)	(252)
	<u>12,553</u>	<u>7,258</u>

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. No overseas taxation has been provided as there is no estimated taxable profit of the overseas subsidiary companies for the period (2005: HK\$nil).

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

	For the six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Current income tax		
- Hong Kong profits tax	2,025	3,617
Deferred income tax		
- change in fair value of investment properties	22,306	14,082
- reversal upon classifying investment properties as assets held for sale	(24,775)	—
- origination and reversal of temporary differences	906	188
	<u>(1,563)</u>	<u>14,270</u>
	<u>462</u>	<u>17,887</u>

8. Interim dividend

	For the six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Interim, declared, of HK7 cents (2005: HK7 cents) per ordinary share	20,137	20,137

At a meeting held on 18th September 2006 the directors declared an interim dividend of HK7 cents per share for the year ending 31st December 2006. 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 2006.

9. Earnings per share

The calculation of earnings per share is based on profit attributable to equity shareholders of HK\$121,087,000 (2005: HK\$85,965,000) and on 287,669,676 (2005: 287,669,676) ordinary shares in issue during the period.

As there are no dilutive potential ordinary shares as at 30th June 2006 and 2005, the dilutive earnings per share is equal to the basic earnings per share.

10. Asset and liabilities held for sale

The assets and liabilities (except for the bank loan) of Lee Sang On Investment Company Limited ("LSO"), a wholly owned subsidiary company of the Group, have been presented as held for sale as directors of the Company had intention to dispose of LSO as at 30th June 2006. The Company entered into a sale and purchase agreement to sell the entire interest of LSO held by the Group to a third party on 3rd July 2006. The bank loan of LSO was repaid by the Group before the completion of the agreement on 31st July 2006.

An analysis of the assets and liabilities classified as held for sale is as follows:

	As at 30th June 2006	
	HK\$'000	HK\$'000
Assets classified as held for sale		
- plant and equipment	—	21
- investment properties	—	230,000
- current assets	—	267
	—	<u>230,288</u>
Liabilities classified as held for sale		
- current liabilities	—	3,846
- deferred income tax liabilities	—	8,770
	—	<u>12,616</u>
Total net assets	—	<u>217,672</u>

11. Capital expenditure

	Property, plant and equipment	Properties under development	Investment properties	Leasehold land	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value or valuation					
At 1st January 2006	76,823	43,920	2,266,720	154,598	2,542,061
Additions	2,634	5,975	1,819	—	10,428
Depreciation/amortisation	(2,782)	—	—	(2,018)	(4,800)
Disposals	(560)	—	(770)	—	(1,330)
Fair value gains	—	—	113,121	—	113,121
Reclassification to assets held for sale (note 10)	(21)	—	(230,000)	—	(230,021)
At 30th June 2006	<u>76,094</u>	<u>49,895</u>	<u>2,150,890</u>	<u>152,580</u>	<u>2,429,459</u>
At 1st January 2005	71,003	23,158	1,995,545	157,743	2,247,449
Additions	7,664	4,745	425	889	13,723
Depreciation/amortisation	(3,242)	—	—	(2,017)	(5,259)
Disposals	(1,478)	—	—	—	(1,478)
Fair value gains	—	—	81,830	—	81,830
At 30th June 2005	73,947	27,903	2,077,800	156,615	2,336,265
Additions	5,895	16,017	3,938	4	25,854
Depreciation/amortisation	(2,240)	—	—	(2,021)	(4,261)
Disposal	(779)	—	(450)	—	(1,229)
Fair value gains	—	—	185,432	—	185,432
At 31st December 2005	<u>76,823</u>	<u>43,920</u>	<u>2,266,720</u>	<u>154,598</u>	<u>2,542,061</u>

12. Debtors and prepayments

Included in debtors and prepayments are trade debtors and their ageing analysis is as follows:

	As at 30th June 2006		As at 31st December 2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	495	—	584	—
31-60 days	25	—	65	—
61-90 days	—	—	—	—
Over 90 days	21	—	72	—
	<u>541</u>	<u>—</u>	<u>721</u>	<u>—</u>

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 trade debtors.

13. Creditors and accruals

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	As at 30th June 2006		As at 31st December 2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	3,849	—	4,299	—
31-60 days	121	—	212	—
61-90 days	—	—	4	—
Over 90 days	20	—	28	—
	<u>3,990</u>	<u>—</u>	<u>4,543</u>	<u>—</u>

3. INTERIM DIVIDEND AND RECORD DATE

The Board of Directors has resolved to declare an interim dividend of HK7 cents (2005: HK7 cents) per share, payable on 19th October 2006 to shareholders whose names standing on the register of members at the close of business on 4th October 2006 (the "Record Date"). In order to qualify for the interim dividend, all transfers of shares 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 Wednesday, 4th October 2006.

4. MANAGEMENT DISCUSSION AND ANALYSIS

a) Business Review and Prospects

The consolidated profit of the Company for the first half of 2006 was HK\$122.7 million, increased 35% as compared to the same period last year. It included HK\$113.1 million fair value gains on investment properties and a net write back of HK\$2.5 million for deferred income tax on investment properties. Excluding these items, the underlying profit was around HK\$7.1 million and the corresponding figure for the first half of 2005 was around HK\$23 million. The drop was mainly attributed to the significant increase in improvement and repair expenditures of HK\$9.3 million and interest expenses of HK\$5.3 million.

In Hong Kong, the rental income increased 9% to HK\$63.3 million as compared to the same period last year due to better renewal rate in retail and residential sectors. The disposal of Tai Sang Shatin Warehouse Centre Phase I and Phase II ("Shatin Warehouse Centre") via the disposal of a subsidiary company was completed on 31st July 2006 and the gain on disposal will be accounted for in the next half of 2006. The drop in the rental income caused by the disposal will be alleviated by the overall growth in rental rate. The yearly rental income from Hong Kong operation will maintain at similar level as last year. Nevertheless, the increase in improvement and repair expenditures and the interest expenses caused an overall drop in the contribution from Hong Kong operation by HK\$9.2 million for the first half of 2006. The level of improvement and repair expenditures will remain high in the next half of 2006 whereas the interest expenses will not increase significantly as all the sale proceeds received from the disposal of Shatin Warehouse Centre has been applied to reduce the Group's bank borrowings.

In the USA, the rental income from Montgomery Plaza dropped by 12% to HK\$21.5 million as compared to the same period last year. The property occupancy rates of Montgomery Plaza decreased to 93.6% at mid-year 2006 and the average office rent per square feet per annum dropped to US\$34.6 on lease renewal. The rise in interest rate in the USA caused the increase in interest expenses by 36.8% to HK\$4.7 million. The drop in rental income together with the increase in the interest expenses caused a drop in the contribution from the US operation by HK\$6.7 million for the first half of 2006. The rental income and interest expenses of Montgomery Plaza for the second half of 2006 will maintain at current level as majority lease renewals have been taken place and the interest rate hike in the USA may stop for a while.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy and maintain stable earnings.

b) The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$20.5 million to HK\$482.5 million. The total equity increased by HK\$117.6 million to HK\$2,072.2 million (at 31st December 2005: HK\$1,954.6 million) and long term bank loans outstanding as at 30th June 2006 amounted HK\$422.3 million (at 31st December 2005: HK\$426.6 million). The debt to equity ratio was 23.3% (at 31st December 2005: 23.6%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

c) Capital structure of the Group

The capital structure of the Group has not changed materially from the last annual report. The Group 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:

	As at 30th June 2006		As at 31st December 2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
- within one year	137,563	—	98,017	—
- in the second year	28,242	—	34,975	—
- in the third to fifth years inclusive	256,531	—	293,619	—
	<u>422,336</u>	<u>—</u>	<u>426,611</u>	<u>—</u>

The Group's bank borrowings of HK\$478.8 million (at 31st December 2005: HK\$462.0 million) are secured by certain properties with an aggregate carrying amount of HK\$1,676.5 million (at 31st December 2005: HK\$1,596.5 million) and rental income thereon.

d) Significant investment held and their performance and future prospects

The Group holds 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 of 30th June 2006 amounted to HK\$41 million whereas the cost of investment was HK\$24 million. The increase in value was attributable to the revaluation gain of certain listed and unlisted investments of Yangtze.

Yangtze, via an investment company, has newly acquired 3.3% interest in Cosmedia Group which engaging in the provision of entertainment programs through a multimedia content platform known as "Pop Online" in China. Other than this new investment, the investment portfolio of Yangtze includes listed securities being 72 million shares in CIG Yangtze Ports PLC (Stock Code: 8233) and unlisted investments being respective stakes in eight companies as follows:

- Carling Technology (Gushan) which manufactures and sells biodiesel and other by-products using waste oils as raw materials;
- Walcom Group, a producer of animal feedstuff;
- Apexone Microelectronics, a manufacturer of integrated circuits;
- Advantek Biologics, a biopharmaceutical products specialist;
- Wuhan Huali Environmental Protection Technology, a producer of environmental friendly product made of Plastarch Material;
- Beijing Hi Sunray Information which engages in maintaining an exclusive interactive voice response platform for China Mobile;
- Rongxing Industrial Development which engages in radio monitoring and measuring in China; and
- Han Sheng Tang Herbal Technologies, a manufacturer of the health supplement products in China.

Two of the above companies are in the course of planning for listing during the next half of 2006. The valuation of Yangtze will further be enhanced upon successful listing of those investments.

e) Details of number and remuneration of employees

Including the directors of the Group as at 30th June 2006, the Group employed a total of 170 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

f) Details of future plans for material investments

The Group has decided to change the use of Express Industrial Building to hotel development for over a year. However this was still pending for the land premium to be advised by the Lands Department. After the disposal of Shatin Warehouse Centre in July 2006, the Group has further reduced its holding in godown or industrial use properties, of which the rental growth is considered rather flat as compared with the residential and commercial sectors. Following the completion of the residential development of the final phase of Floral Villas and No. 1 Barker Road by the end of 2006, rental income generating from luxury residential premises will be further strengthened. Feasibility studies are carried out to change the use of certain properties of the Group.

5. 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 subsidiary companies has purchased or sold any of the Company's issued shares during the period.

6. CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report.

The remuneration committee of the Company comprising Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok and Ms. Katy Ma Ching Man was established with specific terms of reference in accordance with the requirement of the CG Code.

The Company has adopted codes of conduct regarding securities transactions by Directors (as defined in the CG Code) 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 Code and the Company's code of conduct regarding Directors' securities transactions.

7. INDEPENDENT REVIEW

The interim financial report for the six months ended 30th June 2006 is unaudited, but has been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants, by PricewaterhouseCoopers, whose independent review report is included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Group's Audit Committee.

By Order of the Board
William Ma Ching Wai
Chairman

Hong Kong, 18th September 2006

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 twelve 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, Ms. Ma Ching Kwai, Ida and Mr. Ma Ching Yeung, Philip are executive directors, Mr. Cheung Wing Yui, Edward is a non-executive director, and Mr. Chau Kwok Fun, Kevin, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok are independent non-executive directors.