



TAI SANG LAND DEVELOPMENT LIMITED

2006 INTERIM REPORT

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Condensed Consolidated Interim Income Statement

For the six months ended 30th June 2006 – Unaudited

		For the six months ended 30th June	
	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	5	90,197	87,174
Cost of sales		(32,533)	(21,800)
Gross profit		57,664	65,374
Fair value gains on investment properties	12	113,121	81,830
Other gains		681	676
Administrative expenses		(29,339)	(26,410)
Other operating expenses		(6,423)	(5,544)
Operating profit	6	135,704	115,926
Finance costs	7	(12,553)	(7,258)
Profit before income tax		123,151	108,668
Income tax expense	8	(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	9	20,137	20,137
Interim dividend per share	9	HK7 cents	HK7 cents
Earnings per share (basic and diluted)	10	HK42 cents	HK30 cents

The notes from pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

As at 30th June 2006 – Unaudited

	<i>Note</i>	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Non-current assets			
Property, plant and equipment	12	76,094	76,823
Properties under development	12	49,895	43,920
Investment properties	12	2,150,890	2,266,720
Leasehold land	12	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	13	17,636	17,730
Current income tax recoverable		310	237
Assets classified as held for sale	11	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	14	31,340	37,789
Liabilities classified as held for sale	11	12,616	—
Current income tax liabilities		5,211	4,037
Short term bank loans – secured	15	53,900	31,000
Bank overdrafts – secured	15	6,268	4,391
Current portion of long term bank loans	16	137,563	98,017
		273,061	204,500
Net current assets/(liabilities)		113,814	(42,954)

Condensed Consolidated Interim Balance Sheet (Continued)

As at 30th June 2006 – Unaudited

	<i>Note</i>	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Total assets less current liabilities		2,610,772	2,547,316
Non-current liabilities			
Long term bank loans	16	(284,773)	(328,594)
Deferred income tax liabilities	17	(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	18	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

The notes from pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30th June 2006 – Unaudited

	For the six months ended 30th June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash inflow from operating activities	9,655	23,043
Cash outflow from investing activities	(11,054)	(9,603)
Cash outflow from financing activities	(6,164)	(5,076)
Net (decrease)/increase in cash and cash equivalents	(7,563)	8,364
Cash and cash equivalents at 1st January	23,178	15,711
Cash and cash equivalents at 30th June	15,615	24,075
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding balances held in trust)	21,883	25,394
Bank overdrafts – secured	(6,268)	(1,319)
	15,615	24,075

The notes from pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes In Equity

For the six months ended 30th June 2006 – Unaudited

Attributable to equity holders of the Company

	Share capital HK\$'000	Investment			Retained profits HK\$'000	Total reserves HK\$'000	Minority interests HK\$'000	Total HK\$'000
		Share premium HK\$'000	revaluation reserve HK\$'000	Exchange reserve HK\$'000				
At 1st January 2006	287,670	129,651	10,822	7,165	1,444,136	1,591,774	75,189	1,954,633
Fair value gains/(losses) on available-for-sale financial assets recognised directly in equity	—	—	19,754	—	—	19,754	(464)	19,290
Profit for the period	—	—	—	—	121,087	121,087	1,602	122,689
Total recognised income for the period	—	—	19,754	—	121,087	140,841	1,138	141,979
Dividend paid	—	—	—	—	(23,014)	(23,014)	(1,355)	(24,369)
At 30th June 2006	<u>287,670</u>	<u>129,651</u>	<u>30,576</u>	<u>7,165</u>	<u>1,542,209</u>	<u>1,709,601</u>	<u>74,972</u>	<u>2,072,243</u>
Representing:								
Capital, reserves and minority interests	287,670	129,651	30,576	7,165	1,522,072	1,689,464	74,972	2,052,106
2006 interim dividend declared	—	—	—	—	20,137	20,137	—	20,137
	<u>287,670</u>	<u>129,651</u>	<u>30,576</u>	<u>7,165</u>	<u>1,542,209</u>	<u>1,709,601</u>	<u>74,972</u>	<u>2,072,243</u>

The notes from pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes In Equity (Continued)

For the six months ended 30th June 2006 – Unaudited

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Investment			Retained profits <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
		Share premium <i>HK\$'000</i>	revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>				
At 1st January 2005	287,670	129,652	6,665	7,014	1,215,011	1,358,342	66,519	1,712,531
Exchange translation differences	—	—	—	150	—	150	—	150
Fair value losses on available- for-sale financial assets	—	—	(265)	—	—	(265)	(101)	(366)
Net (loss)/gain recognised directly in equity	—	—	(265)	150	—	(115)	(101)	(216)
Realised upon disposal of available-for-sale financial assets	—	—	(139)	—	—	(139)	—	(139)
Profit for the period	—	—	—	—	85,965	85,965	4,816	90,781
Total recognised (loss)/ income for the period	—	—	(404)	150	85,965	85,711	4,715	90,426
Dividend paid	—	—	—	—	(17,260)	(17,260)	(640)	(17,900)
At 30th June 2005	<u>287,670</u>	<u>129,652</u>	<u>6,261</u>	<u>7,164</u>	<u>1,283,716</u>	<u>1,426,793</u>	<u>70,594</u>	<u>1,785,057</u>
Representing:								
Capital, reserves and minority interests	287,670	129,652	6,261	7,164	1,263,579	1,406,656	70,594	1,764,920
2005 interim dividend declared	—	—	—	—	20,137	20,137	—	20,137
	<u>287,670</u>	<u>129,652</u>	<u>6,261</u>	<u>7,164</u>	<u>1,283,716</u>	<u>1,426,793</u>	<u>70,594</u>	<u>1,785,057</u>

The notes from pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

Tai Sang Land Development Limited (the “Company”) and its subsidiary companies (collectively the “Group”) are principally engaged in property investment, property development and estate management and agency. The address of its registered office is 26-28th Floors, Tai Sang Commercial Building, 24-34 Hennessy Road, Wanchai, Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2006 (the “condensed consolidated interim financial information”) was approved by the Board of Directors on 18th September 2006.

2 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.

3 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.

4 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.

5 Turnover, revenues and segment information

(a) Revenues recognised during the period are as follows:

	For the six months ended 30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Property rental	84,793	82,566
Property sales	1,000	215
Property related services	4,404	4,393
	90,197	87,174
	90,197	87,174

5 Turnover, revenues and segment information (Continued)

(b) Operating lease arrangement

The Group leases out investment properties and properties for sale under lease terms generally in the range of one to ten years.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	As at	As at
	30th June	31st December
	2006	2005
	HK\$'000	HK\$'000
Not later than one year	117,642	127,106
Later than one year but not later than five years	110,487	120,247
Later than five years	10,494	12,470
	238,623	259,823
	238,623	259,823

- (c) 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 and liabilities classified as held for sale. Unallocated liabilities include current and deferred income tax liabilities and corporate borrowings.

5 Turnover, revenues and segment information (Continued)

- (c) 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 <i>HK\$'000</i>	Property sales <i>HK\$'000</i>	Property related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover				
Total revenues	84,793	1,000	7,272	93,065
Inter-segment revenue	—	—	(2,868)	(2,868)
	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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Turnover, revenues and segment information (Continued)

(c) Primary reporting format – business segments (Continued)

	For the six months ended 30th June 2005			
	Property rental <i>HK\$'000</i>	Property sales <i>HK\$'000</i>	Property related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover				
Total revenues	82,566	215	7,128	89,909
Inter-segment revenue	—	—	(2,735)	(2,735)
	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
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

5 Turnover, revenues and segment information (Continued)

(c) Secondary reporting format – geographical segments

	For the six months ended 30th June			
	Turnover		Segment results	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	68,710	62,692	42,987	46,639
North America	21,487	24,482	8,254	13,191
	<u>90,197</u>	<u>87,174</u>	<u>51,241</u>	<u>59,830</u>

There are no sales between the geographical segments.

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

6 Operating profit

Operating profit is stated after crediting and charging the following:

	For the six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Crediting		
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
	<u><u> </u></u>	<u><u> </u></u>
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
	<u><u> </u></u>	<u><u> </u></u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

7 Finance costs

	For the six months ended 30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>

8 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	<u>2,025</u>	<u>3,617</u>
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>

9 Interim dividend

	For the six months ended 30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

10 Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders 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.

11 Assets 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 Company, have been presented as held for sale as directors of the Company had intention to dispose of LSO as at 30 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
Assets classified as held for sale	
– property, plant and equipment	21
– investment properties	230,000
– current assets	267
	230,288
	230,288
Liabilities classified as held for sale	
– current liabilities	3,846
– deferred income tax liabilities	8,770
	12,616
	12,616
Total net assets	217,672

12 Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 11)	(21)	—	(230,000)	—	(230,021)
	<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
	<u>73,947</u>	<u>27,903</u>	<u>2,077,800</u>	<u>156,615</u>	<u>2,336,265</u>
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
	<u>76,823</u>	<u>43,920</u>	<u>2,266,720</u>	<u>154,598</u>	<u>2,542,061</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Debtors and prepayments

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

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

14 Creditors and accruals

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

	As at 30th June 2006 HK\$'000	As at 31st December 2005 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>4,543</u>

15 Short term bank loans and bank overdrafts – secured

Short term bank loans and bank overdrafts of the Group are secured by certain investment properties and rental income thereon.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Long term bank loans

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Bank loans wholly repayable within five years		
– secured	418,629	426,611
– unsecured	3,707	—
	422,336	426,611
Amount due within one year included under current liabilities - secured	(137,563)	(98,017)
	284,773	328,594
The maturity of the Group's long term bank loans is as follows:		
– 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
	422,336	426,611

The Group's long term bank loans of HK\$418,629,000 (as 31st December 2005: HK\$426,611,000) are secured on certain properties and related leasehold land and rental income thereon.

17 Deferred income tax liabilities

Deferred income tax liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on the deferred income tax liabilities is as follows:

	Six months ended 30th June 2006 HK\$'000	Year ended 31st December 2005 HK\$'000
At the beginning of the period/year	264,089	225,347
(Credited)/charged to income statement	(1,563)	38,742
Reclassification to liabilities held for sale (note 11)	(8,770)	—
	253,756	264,089

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18 Share capital

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Authorised		
400,000,000 ordinary shares of HK\$1 each	400,000	400,000
Issued and fully paid		
287,669,676 ordinary shares of HK\$1 each	287,670	287,670

19 Commitments

(a) Capital commitments

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Contracted but not provided for		
– properties under development	38,932	9,663
– plant and equipment	—	1,168
	38,932	10,831
Authorised but not contracted for		
– properties under development	—	40,900

(b) Other commitments

	As at 30th June 2006 HK\$'000	As at 31st December 2005 HK\$'000
Contracted but not provided for (<i>note</i>)	25,473	29,166

Note: The other commitments mainly represent the contracted strengthening work for Tai Sang Container and Godown Centre located in Tsing Yi and enhancement work for Sheung Wan Tai Sang Commercial Building located in Sheung Wan.

19 Commitments *(Continued)*

(c) Commitments under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	As at
	30th June	31st December
	2006	2005
	HK\$'000	HK\$'000
Land and buildings		
Not later than one year	743	743
Later than one year but not later than five years	805	1,177
	1,548	1,920
	1,548	1,920

20 Subsequent event

As disclosed in note 11, the Company entered into a sale and purchase agreement to sell the entire interest of LSO held by the Company to a third party on 3rd July 2006 at a total consideration of HK\$270,000,000. Details of the said transaction had been included in the circular dated 27th July 2006.

21 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

Independent Review Report

TO THE BOARD OF DIRECTORS OF TAI SANG LAND DEVELOPMENT LIMITED (incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the accompanying interim financial report of the Company and its subsidiary companies (collectively the “Group”) for the six months ended 30th June 2006 (the “Interim Financial Report”) as set out on pages 2 to 22.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the relevant provisions thereof. The Interim Financial Report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the Interim Financial Report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with SAS 700, “Engagements to review interim financial reports”, issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the Interim Financial Report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Interim Financial Report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Interim Financial Report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18th September 2006

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.

Management Discussion and Analysis

a) Business Review and Prospects

The consolidated profit of the Group 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.

Management Discussion and Analysis (Continued)

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 HK\$'000	As at 31st December 2005 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
	422,336	426,611

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.

Management Discussion and Analysis (Continued)

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 Environment Protection Technology, a producer of environmental friendly products made of Plastarch Material;
- Beijing Hi Sunray Information Technology 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 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.

Management Discussion and Analysis (Continued)

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.

Directors' and Chief Executive's Interests in Shares

At 30th June 2006, the interests and short positions of each director and chief executive in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") or as notified to the Company were as follows:

Ordinary shares of HK\$1 each

	Capacity			Total	Percentage
	Personal interests	Corporate interests	Joint interests		
	(note (a) & (b))		(note (c))		
Directors:					
William Ma Ching Wai	3,644,013	158,246,458	38,115	161,928,586	56.2898%
Patrick Ma Ching Hang	261	8,732,013	38,115	8,770,389	3.0488%
Alfred Ma Ching Kuen	7,200	—	—	7,200	0.0025%
Amy Ma Ching Sau	20,570	—	—	20,570	0.0072%
Katy Ma Ching Man	97,767	—	—	97,767	0.0340%
Ruth Ma Ching Keung	2,772	—	—	2,772	0.0010%
Ida Ma Ching Kwai	19,712	—	—	19,712	0.0069%
Philip Ma Ching Yeung	3,157,522	—	—	3,157,522	1.0976%
Edward Cheung Wing Yui	—	—	—	—	—
Kevin Chau Kwok Fun	—	—	—	—	—
William Wong Hing Kwok	—	—	—	—	—
Tan Soo Kiu	—	—	—	—	—
Chief Executive:					
Ted Mok Tat Hung	—	—	—	—	—

Directors' and Chief Executive's Interests in Shares *(Continued)*

Notes:

- (a) Kam Chan & Company, Limited and its associates, and Holston Investment Limited directly or indirectly owned 137,108,221 and 21,138,237 ordinary shares in the Company respectively. Mr. William Ma Ching Wai is a substantial shareholder of these companies.
- (b) Tai Sang International Limited directly owned 8,732,013 ordinary shares in the Company. Mr. Patrick Ma Ching Hang is a substantial shareholder of this company.
- (c) Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly held 38,115 ordinary shares in the Company.
- (d) Mr. Alfred Ma Ching Kuen beneficially held 9,886 shares (or 0.1765%) in the issued share capital of a subsidiary company, Tai Sang Cold Storage & Godown Company Limited.
- (e) Mr. Patrick Ma Ching Hang and Ms. Katy Ma Ching Man jointly and beneficially held 47 shares (or 0.94%) and Mr. Alfred Ma Ching Kuen and Ms. Ida Ma Ching Kwai each beneficially held 23 shares (or 0.46%) in the issued share capital of a subsidiary company, Kam Hang Company Limited.
- (f) In addition, certain directors of the Company hold non-beneficial interests in subsidiary companies in trust to the absolute benefit of the Company, the details of which are available for inspection at the Company's registered office.
- (g) Other than as stated above, no directors or chief executive of the Company had any interest or short position in the shares or underlying shares of the Company or any of its associated corporation.
- (h) At no time during the period was the Company or any of its subsidiary companies a party to any arrangements to enable the directors and the chief executive of the Company (including their spouse and children under 18 year of age) to acquire benefits by acquisition of shares, or underlying shares of, the Company or its associated corporations.

Substantial Shareholders

At 30th June 2006, the interest and short position of substantial shareholders in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 336 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$1 each

	Capacity		Total	Percentage
	Personal interests	Corporate interests		
		(note)		
Substantial shareholders:				
Kam Chan & Company, Limited	112,248,758	24,859,463	137,108,221	47.6617%
Holston Investment Limited	21,138,237	—	21,138,237	7.3481%
Gold Fortune Investment Co. Ltd	15,488,636	—	15,488,636	5.3842%

All interests stated above represented long positions

Note: Gold Fortune Investment Co. Ltd, Suremark Limited (beneficially interested in 3,964,405 shares in the Company) and Montgomery Securities Limited (beneficially interested in 5,406,422 shares in the Company) are the wholly owned subsidiary companies of Kam Chan & Company, Limited. The aggregate shareholdings of these three companies are deemed to be the corporate interest of Kam Chan & Company, Limited in the ordinary shares in the Company.

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.

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.

Audit Committee

The Company set up an Audit Committee in 1999. The Committee comprises four Non-Executive Directors, three of them being independent. The Committee acts in accordance with the written terms of reference. The current committee members are Mr. Kevin Chau Kwok Fun, Mr. Edward Cheung Wing Yui, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok. The Committee has reviewed the Group’s 2006 interim financial report before it was tabled for the Board’s review and approval.

By Order of the Board

William Ma Ching Wai
Chairman

Hong Kong, 18th September 2006