



TAI SANG LAND DEVELOPMENT LIMITED

2005 INTERIM REPORT

Contents

	<i>Page</i>
Consolidated Income Statement For the six months ended 30th June 2005	2
Consolidated Balance Sheet As at 30th June 2005	3
Condensed Consolidated Cash Flow Statement For the six months ended 30th June 2005	5
Consolidated Statement of Changes in Equity For the six months ended 30th June 2005	6
Notes to the Condensed Accounts	8
Interim Dividend and Record Date	22
Management Discussion and Analysis	23
Directors' and Chief Executive's Interests in Shares	26
Substantial Shareholders	27
Purchase, Sale or Redemption of Shares	28
Corporate Governance	28
Audit Committee	28

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Consolidated Income Statement

For the six months ended 30th June 2005

		Unaudited	
		For the six months ended 30th June	
	<i>Note</i>	2005	2004
		HK\$'000	<i>HK\$'000</i> <i>(Restated)</i>
Turnover	3	87,872	99,597
Cost of sales		(21,822)	(23,845)
		66,050	75,752
Gross profit			
Other operating income		4,466	1,541
Administrative expenses		(18,127)	(17,545)
Other operating expenses		(18,293)	(26,912)
Fair value gains on investment properties	3	81,830	46,580
		115,926	79,416
Operating profit	4		
Finance costs	5	(7,258)	(8,638)
		108,668	70,778
Profit before income tax			
Income tax expense	6	(17,887)	(8,017)
		90,781	62,761
		90,781	62,761
Attributable to:			
Equity holders of the Company		85,965	60,739
Minority interests		4,816	2,022
		90,781	62,761
		90,781	62,761
Interim dividend	7	20,137	14,383
		20,137	14,383
		20,137	14,383
Interim dividend per share	7	HK 7 cents	HK 5 cents
		HK 7 cents	HK 5 cents
		HK 7 cents	HK 5 cents
Earnings per share (basic and diluted)	8	HK30 cents	HK21 cents
		HK30 cents	HK21 cents
		HK30 cents	HK21 cents

Consolidated Balance Sheet

As at 30th June 2005

		Unaudited	
		As at	As at
		30th June	31st December
		2005	2004
Note		<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
Non-current assets			
	Property, plant and equipment	9 73,947	71,003
	Properties under development	9 27,903	23,154
	Investment properties	9 2,077,800	1,995,545
	Leasehold land	9 156,615	157,743
	Available-for-sale financial assets	50,214	—
	Investment securities	—	39,595
		2,386,479	2,287,040
		2,386,479	2,287,040
Current assets			
	Properties for sale	104,219	104,430
	Debtors and prepayments	10 20,252	18,662
	Tax recoverable	—	125
	Restricted bank deposits	992	990
	Bank balances and cash	35,339	28,299
		160,802	152,506
		160,802	152,506
Current liabilities			
	Rental and other deposits	28,421	26,269
	Creditors and accruals	11 27,897	32,420
	Tax payable	4,026	2,297
	Short term bank loans - secured	12 25,000	10,000
	Short term bank loans - unsecured	4,000	4,000
	Bank overdrafts - secured	12 1,319	3,708
	Current portion of long term bank loans - secured	13 88,748	77,054
		179,411	155,748
		179,411	155,748
	Net current liabilities	(18,609)	(3,242)
		(18,609)	(3,242)

Consolidated Balance Sheet (Continued)

As at 30th June 2005

		Unaudited	
	<i>Note</i>	As at 30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000 (Restated)
Total assets less current liabilities		2,367,870	2,283,798
Non-current liabilities			
Long term bank loans - secured	13	(343,199)	(357,068)
Deferred income tax liabilities	14	(245,409)	(231,139)
		(588,608)	(588,207)
Net assets		1,779,262	1,695,591
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	287,670	287,670
Reserves		1,400,861	1,328,622
2004 proposed final dividend		—	17,260
2005 proposed interim dividend		20,137	—
		1,708,668	1,633,552
Minority interests		70,594	62,039
Total equity		1,779,262	1,695,591

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2005

	Unaudited	
	For the six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	23,043	22,968
Net cash (outflow)/inflow from investing activities	(9,603)	4,161
Net cash outflow from financing activities	(5,076)	(38,263)
Increase/(decrease) in cash and cash equivalents	8,364	(11,134)
Cash and cash equivalents at 1st January	15,711	24,238
Cash and cash equivalents at 30th June	24,075	13,104
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding balances held in trust)	25,394	16,942
Bank overdrafts - secured	(1,319)	(3,838)
	24,075	13,104

Consolidated Statement of Changes in Equity

For the six months ended 30th June 2005

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000	
At 31st December 2004, as previously reported as equity	287,670	129,652	973,155	—	7,014	527,890	—	1,925,381
At 31st December 2004, as previously separately reported as minority interests	—	—	—	—	—	—	73,755	73,755
Adjustment for leasehold land (note 2(ii))	—	—	(52,573)	—	—	(40,510)	—	(93,083)
Transfer of revaluation reserve to retained profits (note 2(iii))	—	—	(920,582)	—	—	920,582	—	—
Deferred tax arising from the revaluation of investment properties (note 2(iv))	—	—	—	—	—	(181,183)	(11,716)	(192,899)
Borrowing costs for up-front prepayments made for the leasehold land previously capitalised (note 2(v))	—	—	—	—	—	(17,563)	—	(17,563)
Opening adjustment for fair value gains on available-for-sale financial assets (note 2(vi))	—	—	—	6,665	—	—	4,480	11,145
At 1st January 2005, as restated	287,670	129,652	—	6,665	7,014	1,209,216	66,519	1,706,736
Fair value losses on available-for-sale financial assets	—	—	—	(265)	—	—	(101)	(366)
Realised upon disposal of available-for-sale financial assets	—	—	—	(139)	—	—	—	(139)
Currency translation differences	—	—	—	—	150	—	—	150
Profit for the period	—	—	—	—	—	85,965	4,816	90,781
Dividend paid	—	—	—	—	—	(17,260)	(640)	(17,900)
At 30th June 2005	<u>287,670</u>	<u>129,652</u>	<u>—</u>	<u>6,261</u>	<u>7,164</u>	<u>1,277,921</u>	<u>70,594</u>	<u>1,779,262</u>
Representing:								
Capital, reserves and minority interests	287,670	129,652	—	6,261	7,164	1,257,784	70,594	1,759,125
2005 proposed interim dividend	—	—	—	—	—	20,137	—	20,137
	<u>287,670</u>	<u>129,652</u>	<u>—</u>	<u>6,261</u>	<u>7,164</u>	<u>1,277,921</u>	<u>70,594</u>	<u>1,779,262</u>

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30th June 2005

	Unaudited						Total HK\$'000
	Attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000	
At 1st January 2004, as previously reported as equity	287,670	129,652	768,987	7,235	503,807	—	1,697,351
At 1st January 2004, as previously separately reported as minority interests	—	—	—	—	—	70,879	70,879
Adjustment for leasehold land (note 2(ii))	—	—	(52,573)	—	(36,640)	—	(89,213)
Transfer of revaluation reserve to retained profits (note 2(iii))	—	—	(716,414)	—	716,414	—	—
Deferred tax arising from the revaluation of investment properties (note 2(iv))	—	—	—	—	(165,492)	(10,970)	(176,462)
Borrowing costs for up-front prepayments made for the leasehold land previously capitalised (note 2(v))	—	—	—	—	(17,119)	—	(17,119)
At 1st January 2004, as restated	287,670	129,652	—	7,235	1,000,970	59,909	1,485,436
Currency translation differences	—	—	—	(70)	—	—	(70)
Profit for the period	—	—	—	—	60,739	2,022	62,761
Dividend paid	—	—	—	—	(14,383)	(2,398)	(16,781)
At 30th June 2004	287,670	129,652	—	7,165	1,047,326	59,533	1,531,346
Representing:							
Capital, reserves and minority interests	287,670	129,652	—	7,165	1,032,943	59,533	1,516,963
2004 proposed interim dividend	—	—	—	—	14,383	—	14,383
	287,670	129,652	—	7,165	1,047,326	59,533	1,531,346

Notes to the Condensed Accounts

1. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts (“Condensed Accounts”) are prepared 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. The Condensed Accounts should be read in conjunction with the 2004 annual report.

The accounting policies and methods of computation used in the preparation of the Condensed Accounts are consistent with those used in the annual accounts for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

The adoption of the following HKFRSs, which include all HKASs and applicable Interpretations (“HKAS Ints”), that necessitates material changes in accounting policies or presentation of accounts are summarised as follows:

- (i) The adoption of HKAS 1 “Presentation of Financial Statements” has affected the presentation of minority interests.
- (ii) Leasehold land

The adoption of revised HKAS 17 “Leases” has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment, properties under development and properties for sale to operating leases. The up-front prepayments made for the leasehold land are initially stated at cost and expensed in the income statement on a straight-line basis over the period of the leases or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land as included in property, plant and equipment, properties under development and properties held for sale were stated at cost less accumulated amortisation and impairment, at cost or carrying amount less impairment and at the lower of cost and net realisable value, respectively.

2. Changes in accounting policies (Continued)

(iii) Investment properties

The adoption of HKAS 40 “Investment Property” has resulted in a change in the accounting policy whereby changes in fair values of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(iv) Deferred taxation

The adoption of revised HKAS Int 21 “Income Taxes : Recovery of Revalued Non-depreciable Assets” has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

(v) Borrowing costs

HKAS 23 “Borrowing Costs” requires borrowing costs to be expensed, unless the entity chooses its accounting policy to capitalise borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset. In prior years, the Group capitalised interests for up-front prepayments made for the leasehold land which was used for development purpose. Following the adoption of HKAS 23, the Group changes its accounting policy in respect of such borrowing costs and these costs are expensed as incurred.

Notes to the Condensed Accounts (Continued)

2. Changes in accounting policies (Continued)

(vi) Financial assets and liabilities

The adoption of HKAS 32 “Financial Instruments : Disclosure and Presentation” and HKAS 39 “Financial Instruments : Recognition and Measurement” has resulted in a change in the accounting policy relating to the recognition, measurement, derecognition and disclosure of financial assets and liabilities.

In accordance with provisions of HKAS 39, financial assets are classified into two categories: loans and receivables and available-for-sale financial assets. Loans and receivables are carried at amortised cost less any provision for impairment. Available-for-sale financial assets are carried at fair value with any unrealised gains and losses taken to equity. In prior years, investments of the Group were included in investment securities which were stated at cost less any provision for impairment. The Group reclassified the investments to available-for-sale financial assets this year.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis. Accordingly, the Group redesignates all investments into available-for-sale financial assets at fair value as at 1st January 2005.

(vii) The effect of the changes in accounting policies on the reserves as at 1st January 2005, the profit for the six months ended 30th June 2004 and 2005 are summarised below:

	Increase/(decrease) in reserves at 1st January 2005		Increase/(decrease) in profit for the six months ended 30th June	
	<i>HK\$'000</i> <i>Opening adjustment</i>	<i>HK\$'000</i> <i>Prior year adjustments</i>	<i>HK\$'000</i> <i>2005</i>	<i>HK\$'000</i> <i>2004</i>
Leasehold land	—	(93,083)	(1,940)	(1,935)
Investment properties	—	—	81,830	46,580
Deferred taxation	—	(181,183)	(14,082)	(3,727)
Borrowing costs	—	(17,563)	(455)	(212)
Financial assets and liabilities	6,665	—	—	—
	<u>6,665</u>	<u>(291,829)</u>	<u>65,353</u>	<u>40,706</u>

Notes to the Condensed Accounts (Continued)

3. Turnover, revenues and segment information

- (a) The Group is principally engaged in investment holding, property investment, property rental, property development, estate management and agency. Revenues recognised during the period are as follows:

	For the six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Continuing operations		
- Property rental	82,566	79,397
- Property sales	215	—
- Property related services	4,393	4,662
- Dividend income	537	11,306
- Sales of investments	161	—
	87,872	95,365
Discontinued operation		
- Sale of golf related products	—	4,232
	87,872	99,597
	87,872	99,597

- (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 30th June 2005	As at 31st December 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	128,541	124,703
Later than one year but not later than five years	114,396	120,685
Later than five years	11,577	13,565
	254,514	258,953
	254,514	258,953

Notes to the Condensed Accounts (Continued)

3. 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 2005				
	Property rental <i>HK\$'000</i>	Property sales <i>HK\$'000</i>	Property related services <i>HK\$'000</i>	Other investments <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover					
Total revenues	82,566	215	7,128	698	90,607
Inter-segment revenue	—	—	(2,735)	—	(2,735)
External revenues	82,566	215	4,393	698	87,872
Segment results	47,943	170	3,434	676	52,223
Fair value gains on investment properties	81,830	—	—	—	81,830
Unallocated costs					(18,127)
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

Notes to the Condensed Accounts (Continued)

3. Turnover, revenues and segment information (Continued)

Primary reporting format - business segments (Continued)

	For the six months ended 30th June 2004 (Restated)					Group HK\$'000
	Continuing operations				Discontinued operation	
	Property rental HK\$'000	Property sales HK\$'000	Property related services HK\$'000	Other investments HK\$'000	Sales of golf related products HK\$'000	
Turnover						
Total revenues	79,397	—	6,930	11,306	4,232	101,865
Inter-segment revenue	—	—	(2,268)	—	—	(2,268)
	79,397	—	4,662	11,306	4,232	99,597
Segment results	48,002	—	2,905	11,306	(11,832)	50,381
Fair value gains on investment properties	46,580	—	—	—	—	46,580
Unallocated costs						(17,545)
Operating profit						79,416
Finance costs						(8,638)
Profit before income tax						70,778
Income tax expense						(8,017)
Profit for the period						62,761

Notes to the Condensed Accounts (Continued)

3. Turnover, revenues and segment information (Continued)

Secondary reporting format - geographical segments

	For the six months ended 30th June			
	Turnover		Segment results	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(Restated)</i>
Hong Kong				
- continuing operations	63,390	71,488	39,032	49,907
North America				
- continuing operations	24,482	23,877	13,191	12,306
- discontinued operation	—	4,232	—	(11,832)
	24,482	28,109	13,191	474
	87,872	99,597	52,223	50,381

There are no sales between the geographical segments.

4. Operating profit

Operating profit is stated after crediting and charging the following:

	For the six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000 <i>(Restated)</i>
Crediting		
Gross rental income		
- investment properties	75,337	71,272
- properties for sale	7,229	8,125
Dividend from available-for-sale financial assets / investment securities		
- listed	537	506
- unlisted	—	10,800
Gain on disposal of available-for-sale financial assets	139	—
Gain on disposal of property, plant and equipment	1,676	—
Interest income	110	48

Notes to the Condensed Accounts (Continued)

4. Operating profit (Continued)

	For the six months ended 30th June	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
		<i>(Restated)</i>
Charging		
Amortisation of leasehold land		
- properties under development and other properties	2,017	2,007
- properties for sale	172	172
Cost of inventories sold		
- discontinued operation	—	2,257
Cost of properties sold	45	—
Depreciation		
- continuing operations	3,242	2,351
- discontinued operation	—	146
Impairment of property, plant and equipment		
- discontinued operation	—	939
Loss on disposal of property, plant and equipment	—	157
Write-down of inventories		
- discontinued operation	—	6,790
Operating lease rental for land and buildings		
- continuing operations	384	445
- discontinued operation	—	985
Outgoings in respect of		
- investment properties	16,591	15,547
- properties for sale	2,413	2,113
Bad debts written off		
- continuing operations	—	9
- discontinued operation	—	397
Staff costs (including directors' emoluments and retirement benefit costs)		
- continuing operations	15,060	15,161
- discontinued operation	—	985
	=====	=====

Notes to the Condensed Accounts (Continued)

5. Finance costs

	For the six months ended 30th June	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
		<i>(Restated)</i>
Interest expense		
- bank loans and overdrafts wholly repayable within five years	7,078	6,909
- bank loans not wholly repayable within five years	—	946
Other incidental borrowing costs	432	834
	7,510	8,689
Amount capitalised in properties under development	(252)	(51)
	7,258	8,638

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 (2004: Nil).

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

	For the six months ended 30th June	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
		<i>(Restated)</i>
Current income tax		
- Hong Kong profits tax	3,617	3,786
Deferred income tax		
- change in fair value of investment properties	14,082	3,727
- origination and reversal of other temporary differences	188	504
	17,887	8,017

Notes to the Condensed Accounts (Continued)

7. Interim dividend

	For the six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, proposed, of HK7 cents (2004: HK5 cents) per ordinary share	<u>20,137</u>	<u>14,383</u>

At a meeting held on 12th September 2005 the directors declared an interim dividend of HK7 cents per share for the year ending 31st December 2005. This proposed dividend is not reflected as a dividend payable in these Condensed Accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2005.

8. Earnings per share

The calculation of basic earnings per share is based on profit attributable to equity holders of HK\$85,965,000 (2004: HK\$60,739,000, as restated) and on 287,669,676 (2004: 287,669,676) ordinary shares in issue during the period.

As there are no dilutive potential ordinary shares as at 30th June 2005 and 2004, the diluted earnings per share is equal to the basic earnings per share.

Notes to the Condensed Accounts (Continued)

9. 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 31st December 2004, as previously reported	91,413	265,024	1,995,545	—	2,351,982
Reclassification / adjustments	(20,410)	(241,870)	—	157,743	(104,537)
At 1st January 2005, as restated	71,003	23,154	1,995,545	157,743	2,247,445
Additions	7,664	4,749	425	889	13,727
Depreciation/ amortisation	(3,242)	—	—	(2,017)	(5,259)
Disposals	(1,478)	—	—	—	(1,478)
Fair value gains	—	—	81,830	—	81,830
At 30th June 2005	<u>73,947</u>	<u>27,903</u>	<u>2,077,800</u>	<u>156,615</u>	<u>2,336,265</u>
At 1st January 2004, as previously reported	95,317	258,232	1,788,735	—	2,142,284
Reclassification / adjustments	(20,898)	(241,362)	—	161,753	(100,507)
At 1st January 2004, as restated	74,419	16,870	1,788,735	161,753	2,041,777
Additions	2,107	157	2,020	—	4,284
Depreciation/ amortisation	(2,497)	—	—	(2,007)	(4,504)
Disposals	(289)	—	—	—	(289)
Impairment	(939)	—	—	—	(939)
Fair value gains	—	—	46,580	—	46,580
At 30th June 2004	72,801	17,027	1,837,335	159,746	2,086,909
Additions	2,278	6,127	654	4	9,063
Depreciation/ amortisation	(3,232)	—	—	(2,007)	(5,239)
Disposals	(878)	—	(8,807)	—	(9,685)
Reversal of impairment	34	—	—	—	34
Fair value gains	—	—	166,363	—	166,363
At 31st December 2004, as restated	<u>71,003</u>	<u>23,154</u>	<u>1,995,545</u>	<u>157,743</u>	<u>2,247,445</u>

Notes to the Condensed Accounts (Continued)

10. Debtors and prepayments

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

	As at 30th June 2005 <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Current	1,075	369
31-60 days	77	161
61-90 days	—	90
Over 90 days	59	660
	<u>1,211</u>	<u>1,280</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.

11. Creditors and accruals

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

	As at 30th June 2005 <i>HK\$'000</i>	As at 31st December 2004 <i>HK\$'000</i>
Current	2,345	3,173
31-60 days	411	20
61-90 days	—	154
Over 90 days	551	1,128
	<u>3,307</u>	<u>4,475</u>

12. 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 Accounts (Continued)

13. Long term bank loans - secured

	As at 30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000
Bank loans		
- wholly repayable within five years	431,947	291,203
- not wholly repayable within five years	—	142,919
	431,947	434,122
Amount due within one year included under current liabilities	(88,748)	(77,054)
	343,199	357,068
The maturity of the Group's long term bank loans is as follows:		
- within one year	88,748	77,054
- in the second year	31,816	27,739
- in the third to fifth years inclusive	311,383	203,151
- after the fifth year	—	126,178
	431,947	434,122

The Group's long term bank loans are secured on certain properties and rental income thereon.

Notes to the Condensed Accounts (Continued)

14. 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% (2004: 17.5%).

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

	Six months ended	Year ended
	30th June	31st December
	2005	2004
	HK\$'000	HK\$'000
		<i>(Restated)</i>
At the beginning of the period/year	231,139	213,751
Charged to income statement	14,270	17,388
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
At the end of the period/year	245,409	231,139
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

15. Share capital

	As at	As at
	30th June	31st December
	2005	2004
	HK\$'000	HK\$'000
Authorised		
400,000,000 ordinary shares of HK\$1 each	400,000	400,000
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Issued and fully paid		
287,669,676 ordinary shares of HK\$1 each	287,670	287,670
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes to the Condensed Accounts (Continued)

16. Commitments

- (a) Capital commitments for non-current assets

	As at 30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000
Contracted but not provided for		
- properties under development	30,119	26,996
- properties, plant and equipment	1,769	—
	31,888	26,996
	31,888	26,996
Authorised but not contracted for		
- investment properties	35,000	—
	35,000	—
	35,000	—

- (b) Commitments under operating leases

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

	As at 30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000
Land and buildings		
Not later than one year	127	511
	127	511
	127	511

Interim Dividend and Record Date

The Board of Directors has resolved to declare an interim dividend of HK7 cents (2004: HK5 cents) per share, payable on 14th October 2005 to shareholders whose names standing on the register of members at the close of business on 29th September 2005 (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 Thursday, 29th September 2005.

Management Discussion and Analysis

a) Business Review

The profit for the first half of 2005 was HK\$90.8 million. These results reflect the adoption of new Hong Kong Financial Reporting Standards (“HKFRS”) effective 1st January 2005. After adjusting for the impact of adopting Hong Kong Accounting Standard (“HKAS”) 40 and Interpretation 21 on investment properties and income taxes, HKAS 17 on amortisation for leasehold land and HKAS 23 on borrowing costs, the underlying profit after taxation was around HK\$25.4 million, 15.5% up on the corresponding figure of HK\$22 million in the first half of 2004.

In Hong Kong, the rental income has increased moderately to HK\$58.08 million on better renewed rental rate in retail and residential sectors. However, the lack of dividend contribution from Yangtze Venture Capital Limited, the increase in repair and maintenance expenditure on properties together with the interest expense increment in the first half of 2005 caused the drop in the contribution from Hong Kong operation.

The property occupancy rates of Montgomery Plaza in the USA raised to 95.8% as at the mid 2005 and the average office rent per square feet stabilised at around US\$37 on lease renewal. The rental income from Montgomery Plaza therefore slightly increased to HK\$24.5 million as compared to the same period last year. The interest expense decreased as a result of a rearrangement of the loan financing in the USA by the end of year 2004. The rental income of Montgomery Plaza for the second half of 2005 is expected to remain stable whereas interest expense may alleviate with the rising trend of the interest rate in the USA.

b) Prospects

The economy of Hong Kong rebounds resultant from CEPA, Individual Visit Scheme and the opening of the Disneyland. However, interest rate is expected to rise further in the second half of 2005. In addition, the adjustment in the Renminbi exchange rate and the continuous rise of the oil price are the factors that may have impact on Hong Kong economy.

Given the magnitude of fluctuation of Renminbi exchange rate is not exceedingly high, I am optimistic over the future of the Hong Kong economy and the Group shall maintain steady growth in the second half of 2005.

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

Management Discussion and Analysis (Continued)

c) The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$10.4 million to HK\$462.3 million. The equity increased by HK\$83.7 million to HK\$1,779.3 million (31st December 2004 (restated): HK\$1,695.6 million) and long term bank loans outstanding as at 30th June 2005 amounted to HK\$431.9 million (31st December 2004: HK\$434.1 million). The debt to equity ratio was 26% (31st December 2004 (restated): 26.7%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

d) Capital structure of the Group

The capital structure of the Group had 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 2005 HK\$'000	As at 31st December 2004 HK\$'000
- within one year	88,748	77,054
- in the second year	31,816	27,739
- in the third to fifth years inclusive	311,383	203,151
- after the fifth year	—	126,178
	<u>431,947</u>	<u>434,122</u>

The Group's long term bank loans are secured by certain properties with an aggregate fair value of HK\$1,470.9 million (31st December 2004 (restated) : HK\$1,418.5 million) and rental income thereon.

Management Discussion and Analysis (Continued)

e) Significant investment held and their performance and future prospects

Application for occupation permit for No. 1 Barker Road, The Peak, Hong Kong is expected to be made in the third quarter of 2005. Response to the pre-completion leasing promotion has been encouraging.

The Group holds 12% equity interest in The Yangtze Ventures Limited and The Yangtze Ventures II Limited (collectively “Yangtze”). The total investment made by the Group amounted to HK\$24 million and the accumulated dividend received up to 30 June 2005 amounted to HK\$20.4 million. Yangtze has declared and paid a dividend to the Group of HK\$15.6 million in August 2005 upon its disposal of 70 million shares in Solomon Systech (International) Limited (“SSL”) (Stock Code: 2878) in July 2005.

The investment portfolio of Yangtze now includes 3 million shares in SSL, a stake in China Infrastructure Group (“CIG”), listing of which on Hong Kong’s GEM Board will soon be on stage, and investments in 6 other companies respectively specialised in manufacturing and research and development of animal feedstuff, integrated circuits, biopharmaceutical products, environmental friendly product made of Plastarch Material, engaged in operating Interactive Voice Response platform for China Mobile and engaged in radio monitoring and measuring in China.

f) Details of number and remuneration of employees

Including the directors of the Group as at 30th June 2005, 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.

g) Details of future plans for material investments

The Town Planning Board approved the use of 43 Heung Yip Road be changed to hotel last year. Application has been made to the Lands Department to modify the lease to permit hotel development. The final phase of Floral Villas will be carried out once approval is obtained from the District Lands Office. Feasibility studies are carried out to change usage of certain properties of the Group to improve future income.

Directors' and Chief Executive's Interests in Shares

At 30th June 2005, 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
	Beneficial interests (personal)	Corporate interests	Joint interests		
	<i>(note (a) & (b))</i>		<i>(note (c))</i>		
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	—	—	—	—	—
Tan Soo Kiu	—	—	—	—	—
William Wong Hing Kwok	—	—	—	—	—
Chief Executive:					
Ted Mok Tai Hung	—	—	—	—	—

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.

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

- (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 held non-beneficial interests in certain 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 year 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 the benefits by acquisition of shares, or underlying shares of, the Company or its associated corporations.

Substantial Shareholders

At 30th June 2005, 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
	Beneficial owner	Corporate interests		
		<i>(note)</i>		
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

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 of 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 Securitied Transactions by Directors of Listed Issuers ("the Model Codes") contained in Appendix 10 of the Listing Rules.

On specific enquires made, all the 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 Audit Committee which was established pursuant to the requirements of the Listing Rules comprising Mr. Kevin Chau Kwok Fun, Mr. Edward Cheung Wing Yui, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok. The Audit Committee was established with specific terms of reference and has reviewed with management the accounting principles and practices adopted by the Group and the unaudited 2005 interim report.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 12th September 2005