



TAI SANG LAND DEVELOPMENT LIMITED

2007 INTERIM REPORT

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Condensed Consolidated Interim Balance Sheet

As at 30th June 2007 – Unaudited

	<i>Note</i>	As at 30th June 2007 <i>HK\$'000</i>	As at 31st December 2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	6	79,265	81,064
Properties under development	6	73,619	63,793
Investment properties	6	2,480,370	2,342,170
Leasehold land	6	148,657	150,675
Available-for-sale financial assets		80,202	79,387
		2,862,113	2,717,089
Current assets			
Properties for sale		102,304	103,690
Debtors and prepayments	7	23,170	18,389
Current income tax recoverable		399	550
Bank balances and cash		35,167	30,901
		161,040	153,530
Current liabilities			
Rental and other deposits		28,702	27,283
Creditors and accruals	8	36,808	49,827
Current income tax liabilities		3,588	2,035
Short term bank loans - secured	9	6,783	25,565
Bank overdrafts - secured	9	3,882	4,879
Current portion of long term bank loans	10	107,236	94,563
		186,999	204,152
Net current liabilities		(25,959)	(50,622)

Condensed Consolidated Interim Balance Sheet (Continued)

As at 30th June 2007 – Unaudited

		As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Total assets less current liabilities		2,836,154	2,666,467
Non-current liabilities			
Long term bank loans	10	(133,400)	(134,597)
Deferred income tax liabilities	11	(326,608)	(274,852)
		(460,008)	(409,449)
Net assets		2,376,146	2,257,018
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	287,670	287,670
Reserves		2,006,724	1,856,659
2006 final dividend proposed		—	31,644
		2,294,394	2,175,973
Minority interests		81,752	81,045
Total equity		2,376,146	2,257,018

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

Condensed Consolidated Interim Income Statement

For the six months ended 30th June 2007 – Unaudited

		For the six months ended 30th June	
		2007	2006
		HK\$'000	HK\$'000
	<i>Note</i>		
Revenue	5	85,787	90,197
Cost of sales	13	(18,447)	(32,533)
		<hr/>	<hr/>
Gross profit		67,340	57,664
Fair value gains on			
investment properties	6	138,064	113,121
Other gains	14	44,949	681
Administrative expenses	13	(28,854)	(29,339)
Other operating expenses	13	(9,158)	(6,795)
		<hr/>	<hr/>
Operating profit		212,341	135,332
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance income	15	309	372
Finance costs	15	(6,830)	(12,553)
		<hr/>	<hr/>
Finance costs, net		(6,521)	(12,181)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Profit before income tax		205,820	123,151
Income tax expense	16	(54,533)	(462)
		<hr/>	<hr/>
Profit for the period		151,287	122,689
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Attributable to:			
Equity holders of the Company		149,397	121,087
Minority interests		1,890	1,602
		<hr/>	<hr/>
		151,287	122,689
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Interim dividend	17	25,890	20,137
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Interim dividend per share	17	HK9 cents	HK7 cents
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Earnings per share (basic and diluted)	18	HK52 cents	HK42 cents
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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 2007 – Unaudited

	For the six months ended 30th June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cash inflow from operating activities	22,300	9,655
Cash inflow/(outflow) from investing activities	29,047	(11,054)
Cash outflow from financing activities	(48,724)	(6,164)
Net increase/(decrease) in cash and cash equivalents	2,623	(7,563)
Exchange translation difference	(10)	—
Cash and cash equivalents at 1st January	13,417	23,178
Cash and cash equivalents at 30th June	16,030	15,615
Analysis of the balances of cash and cash equivalents		
Bank balances and cash (excluding balances held in trust)	20,912	22,883
Restricted bank deposit	(1,000)	(1,000)
Bank overdrafts	(3,882)	(6,268)
	16,030	15,615

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 2007 – 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 2007	287,670	129,651	41,928	7,169	1,709,555	1,888,303	81,045	2,257,018
Net fair value gain on available-for-sale financial assets	—	—	678	—	—	678	137	815
Exchange translation differences	—	—	—	(10)	—	(10)	—	(10)
Net income/(expense) recognised directly in equity	—	—	678	(10)	—	668	137	805
Profit for the period	—	—	—	—	149,397	149,397	1,890	151,287
Total recognised income/(loss) for the period	—	—	678	(10)	149,397	150,065	2,027	152,092
Dividend paid	—	—	—	—	(31,644)	(31,644)	(1,320)	(32,964)
At 30th June 2007	<u>287,670</u>	<u>129,651</u>	<u>42,606</u>	<u>7,159</u>	<u>1,827,308</u>	<u>2,006,724</u>	<u>81,752</u>	<u>2,376,146</u>
Representing:								
Capital, reserves and minority interests	287,670	129,651	42,606	7,159	1,801,418	1,980,834	81,752	2,350,256
2007 interim dividend declared	—	—	—	—	25,890	25,890	—	25,890
	<u>287,670</u>	<u>129,651</u>	<u>42,606</u>	<u>7,159</u>	<u>1,827,308</u>	<u>2,006,724</u>	<u>81,752</u>	<u>2,376,146</u>

Condensed Consolidated Interim Statement of Changes In Equity (Continued)

For the six months ended 30th June 2007 – Unaudited

	Attributable to equity holders of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2006	287,670	129,651	10,822	7,165	1,444,136	1,591,774	75,189	1,954,633
Net fair value gain/(loss) 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	287,670	129,651	30,576	7,165	1,542,209	1,709,601	74,972	2,072,243
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
	287,670	129,651	30,576	7,165	1,542,209	1,709,601	74,972	2,072,243

The notes from pages 8 to 22 form an integral part of this 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 2007 (the “Condensed Consolidated Interim Financial Information”) was approved by the Board of Directors on 14th September 2007.

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 (“HKICPA”) 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 2006.

The Group adopted HKFRS 7 – Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1 – Presentation of Financial Statements – Capital Disclosures, HK(IFRIC)-Int 9 – Reassessment of Embedded Derivatives and HK(IFRIC)-Int 10 – Interim Financial Reporting and Impairment as at 1st January 2007. The adoption of above accounting policies did not have significant impact on the Group’s results and net assets.

The HKICPA has issued certain new standards, interpretations and amendments which are not yet effective for the year ending 31st December 2007. The Group has not early adopted the above standards, interpretations and amendments in the Condensed Consolidated Interim Financial Information. The Group had made an assessment of the impact of these standards, interpretations and amendments and it is not expected to have significant impact on the Group’s results of operation and financial position.

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 2006.

4 Critical accounting estimates and judgments

Estimates and judgments 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 2006.

5 Revenue and segment information

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

	For the six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Revenues		
Property rental		
– investment properties	71,661	75,614
– properties for sale	9,977	9,179
Property sales	—	1,000
Property related services	4,149	4,404
	85,787	90,197
	85,787	90,197

5 Revenue 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 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Not later than one year	118,750	105,288
Later than one year but not later than five years	119,754	94,319
Later than five years	10,797	7,192
	249,301	206,799

- (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 dividend income and gain on disposal of a subsidiary company. Unallocated costs represented corporate administrative expenses.

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

Segment liabilities comprise rental and other deposits, creditors and accruals, and borrowings for properties development and investment. Unallocated liabilities include current and deferred income tax liabilities and corporate borrowings.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Revenue and segment information (Continued)

- (c) An analysis of the Group's revenues and results for the period, assets, liabilities and other segment items by business and geographical segments is as follows:

Primary reporting format - business segments

	For the six months ended 30th June 2007			
	Property rental	Property sales	Property related services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Total revenue	81,638	—	7,100	88,738
Inter-segment revenue	—	—	(2,951)	(2,951)
External revenue	<u>81,638</u>	<u>—</u>	<u>4,149</u>	<u>85,787</u>
Segment results	<u>54,801</u>	<u>(197)</u>	<u>3,578</u>	<u>58,182</u>
Fair value gains on investment properties	138,064	—	—	138,064
Unallocated income				44,949
Unallocated costs				(28,854)
Operating profit				212,341
Finance income				309
Finance costs				(6,830)
Profit before income tax				205,820
Income tax expense				(54,533)
Profit for the period				<u>151,287</u>
Capital expenditure				
– segment	10,205	181	—	10,386
– unallocated				1,835
Depreciation and amortisation				
– segment	1,343	197	—	1,540
– unallocated				4,355
				<u> </u>
				As at 30th June 2007
Segment assets	2,656,750	102,510	14,377	2,773,637
Unallocated assets				249,516
Total assets				<u>3,023,153</u>
Segment liabilities	279,185	165	14,876	294,226
Unallocated liabilities				352,781
Total liabilities				<u>647,007</u>

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

5 Revenue and segment information *(Continued)*

(c) Primary reporting format - business segments *(Continued)*

	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>
Revenue				
Total revenue	84,793	1,000	7,272	93,065
Inter-segment revenue	—	—	(2,868)	(2,868)
External revenue	<u>84,793</u>	<u>1,000</u>	<u>4,404</u>	<u>90,197</u>
Segment results	<u>46,968</u>	<u>59</u>	<u>3,842</u>	<u>50,869</u>
Fair value gains on investment properties	113,121	—	—	113,121
Unallocated income				681
Unallocated costs				(29,339)
Operating profit				135,332
Finance income				372
Finance costs				(12,553)
Profit before income tax				123,151
Income tax expense				(462)
Profit for the period				<u>122,689</u>
Capital expenditure				
– segment	7,989	—	—	7,989
– unallocated				2,439
Depreciation and amortisation				
– segment	1,189	172	—	1,361
– unallocated				3,611
				<u>613,601</u>
				As at 31st December 2006
Segment assets	2,500,348	103,693	11,931	2,615,972
Unallocated assets				254,647
Total assets				<u>2,870,619</u>
Segment liabilities	264,808	1,464	12,352	278,624
Unallocated liabilities				334,977
Total liabilities				<u>613,601</u>

5 Revenue and segment information *(Continued)*

(c) Secondary reporting format - geographical segments

	For the six months ended 30th June			
	Revenue		Segment results	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	63,966	68,710	49,228	42,813
North America	21,821	21,487	8,954	8,056
	<u>85,787</u>	<u>90,197</u>	<u>58,182</u>	<u>50,869</u>

There are no sales between the geographical segments.

	Segment assets	
	As at	As at
	30th June	31st December
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,384,529	2,323,468
North America	638,624	547,151
	<u>3,023,153</u>	<u>2,870,619</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 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 2007	81,064	63,793	2,342,170	150,675	2,637,702
Additions	2,259	9,826	136	—	12,221
Depreciation/amortisation	(3,705)	—	—	(2,018)	(5,723)
Disposals	(353)	—	—	—	(353)
Fair value gains	—	—	138,064	—	138,064
	<u>79,265</u>	<u>73,619</u>	<u>2,480,370</u>	<u>148,657</u>	<u>2,781,911</u>
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	(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 30th June 2006	11,310	13,898	3,848	118	29,174
Depreciation/amortisation	(4,192)	—	—	(2,023)	(6,215)
Disposal	(2,148)	—	(580)	—	(2,728)
Fair value gains	—	—	188,012	—	188,012
	<u>81,064</u>	<u>63,793</u>	<u>2,342,170</u>	<u>150,675</u>	<u>2,637,702</u>

7 Debtors and prepayments

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

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Current	545	464
31-60 days	9	84
61-90 days	—	9
Over 90 days	13	21
	567	578

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.

8 Creditors and accruals

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

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Current	797	11,274
31-60 days	6	3,899
61-90 days	—	124
Over 90 days	129	20
	932	15,317

9 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)

10 Long term bank loans

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Bank loans wholly repayable within five years		
– secured	215,220	216,357
– unsecured	25,416	12,803
	240,636	229,160
Amount due within one year included under current liabilities		
– secured	(81,820)	(81,760)
– unsecured	(25,416)	(12,803)
	(107,236)	(94,563)
	133,400	134,597
The maturity of the Group's long term bank loan is as follows:		
– within one year	107,236	94,563
– in the second year	2,739	2,623
– in the third to fifth years inclusive	130,661	131,974
	240,636	229,160

The Group's long term bank loans of HK\$215,220,000 (at 31st December 2006: HK\$216,357,000) are secured on certain properties under development and related leasehold land and certain investment properties with an aggregate carrying value of HK\$712,691,000 (at 31st December 2006: HK\$622,483,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11 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% (2006: 17.5%).

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

	For the six months ended 30th June 2007 HK\$'000	For the year ended 31st December 2006 HK\$'000
At the beginning of the period/year	274,852	264,089
Charged to income statement	51,756	20,803
Disposal of a subsidiary company	—	(10,040)
	<u>326,608</u>	<u>274,852</u>

12 Share capital

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Authorised 400,000,000 ordinary shares of HK\$1 each	<u>400,000</u>	<u>400,000</u>
Issued and fully paid 287,669,676 ordinary shares of HK\$1 each	<u>287,670</u>	<u>287,670</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Cost and expenses by nature

	For the six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Cost of sales		
Costs of properties sold	—	770
Outgoings in respect of		
– investment properties	13,100	27,018
– properties for sale	2,238	2,247
Others	3,109	2,498
	<u>18,447</u>	<u>32,533</u>
Administrative and other operating expenses		
Amortisation of leasehold land	2,190	2,190
Depreciation	3,705	2,782
Operating lease rental for office premises to a related company	571	571
Staff costs	17,050	16,396
(Gain)/loss on disposal of plant and equipment, net	(9)	149
Others	14,505	14,046
	<u>38,012</u>	<u>36,134</u>

14 Other gains

	For the six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Dividend income from available-for-sale financial assets		
– listed	562	681
– unlisted	4,800	—
Gain on disposal of a subsidiary company	39,587	—
	<u>44,949</u>	<u>681</u>

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

15 Finance income and costs

	For the six months ended 30th June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from banks	(309)	(372)
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	8,072	13,246
Less: amount capitalised in properties under development	(1,242)	(693)
	6,830	12,553
Finance costs, net	6,521	12,181

16 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 (2006: HK\$Nil).

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

	For the six months ended 30th June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– current year provision	<u>2,777</u>	<u>2,025</u>
Deferred income tax		
– origination and reversal of temporary differences	51,756	23,212
– reversal upon classifying investment properties as assets held for sale	—	(24,775)
	<u>51,756</u>	<u>(1,563)</u>
	<u>54,533</u>	<u>462</u>

17 Interim dividend

	For the six months ended 30th June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, declared, of HK9 cents (2006: HK7 cents) per ordinary share	<u>25,890</u>	<u>20,137</u>

At a meeting held on 14th September 2007, the directors declared an interim dividend of HK9 cents per share for the year ending 31st December 2007. 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 2007.

18 Earnings per share

The calculation of earnings per share is based on profit attributable to equity shareholders of HK\$149,397,000 (2006: HK\$121,087,000) and on 287,669,676 (2006: 287,669,676) ordinary shares in issue during the period.

As there are no dilutive potential ordinary shares as at 30th June 2007 and 2006, the diluted earnings per share is equal to the basic earnings per share.

19 Commitments

(a) Capital commitments

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Contracted but not provided for		
– properties under development	17,255	26,468
– leasehold land	210,140	—
– plant and equipment	—	1,131
	<u>227,395</u>	<u>27,599</u>

(b) Other commitments

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Contracted but not provided for (<i>note</i>)	<u>12,566</u>	<u>3,939</u>

Note: The other commitments in 2007 mainly represented the contracted feasibility study for future development for Tai Sang Container and Godown Centre located in Tsing Yi whereas those in 2006 mainly represented strengthening work for the same property.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*

19 Commitments *(Continued)*

(c) Commitments under operating leases

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

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Land and buildings		
Not later than one year	743	743
Later than one year but not later than five years	62	434
	805	1,177

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF TAI SANG LAND DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information of the Company and its subsidiary companies (collectively the “Group”) for the six months ended 30th June 2007 (the “Interim Financial Information”) set out on pages 2 to 22, which comprises the condensed consolidated balance sheet of the Group as at 30th June 2007 and the related condensed consolidated statements of income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14th September 2007

Interim Dividend and Record Date

The Board of Directors has resolved to declare an interim dividend of HK9 cents (2006: HK7 cents) per share, payable on 15th October 2007 to shareholders whose names standing on the register of members at the close of business on 28th September 2007 (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 Friday, 28th September 2007.

Management Discussion and Analysis

(a) Business Review and Prospects

The consolidated profit of the Company for the first half of 2007 was HK\$151.3 million, an increase of 23.3% as compared to the same period last year. It included HK\$138.1 million fair value gains on investment properties and a provision of HK\$43.2 million for deferred income tax on investment properties. Excluding these items, the underlying profit was approximately HK\$56.4 million and the corresponding figure for the first half of 2006 was approximately HK\$7.1 million. The significant increase was attributed to the gain on disposal of a subsidiary company of HK\$39.6 million, the increase in dividend income of HK\$4.7 million and the savings in interest expenses of HK\$5.7 million.

In Hong Kong, the rental income dropped 5.5% or HK\$3.5 million to HK\$59.8 million as compared to the same period last year. The drop in rental attributable to Tai Sang Shatin Warehouse Centre Phase I and Phase II (“Shatin Warehouse Centre”) which was disposed of in July 2006 of HK\$8 million, was however partly compensated by the growth in rental rate in all other properties. Excluding the changes in rental contribution from Shatin Warehouse Centre, there was an 8% increase in the overall rental income as compared to the same period last year. The strong result of Hong Kong operation was mainly contributed from the gain on disposal of a subsidiary company which held a property at Kwai Chung during the first half of 2007 of HK\$39.6 million. The drop in improvement and repair expenditures and the interest expenses further raised the contribution from Hong Kong operation by HK\$17 million for the first half of 2007.

In the USA, the rental income from Montgomery Plaza remained steady at HK\$21.8 million as compared to the same period last year. The overall occupancy rates of Montgomery Plaza increased to 98.6% at mid-year 2007 and the average office rent per square feet per annum increased to US\$35. The interest expenses and other operating expenses remained steady. The contribution from the US operation therefore maintained at similar level as compared to the same period last year. The rental income and interest expenses of Montgomery Plaza for the second half of 2007 will maintain at current level.

Management Discussion and Analysis (Continued)

(b) The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings decreased by HK\$8.3 million to HK\$251.3 million. The total equity increased by HK\$119.1 million to HK\$2,376.1 million (at 31st December 2006: HK\$2,257 million) and long term bank loans outstanding as at 30th June 2007 amounted HK\$240.6 million (at 31st December 2006: HK\$229.2 million). The debt to equity ratio was 10.6% (at 31st December 2006: 11.5%). 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 2007 HK\$'000	As at 31st December 2006 HK\$'000
– within one year	107,236	94,563
– in the second year	2,739	2,623
– in the third to fifth years inclusive	130,661	131,974
	<u>240,636</u>	<u>229,160</u>

The Group's bank borrowings of HK\$225.9 million (at 31st December 2006: HK\$246.8 million) are secured by certain properties under development and related leasehold land and certain investment properties with an aggregate carrying amount of HK\$1,680.7 million (at 31st December 2006: HK\$1,555.5 million).

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 at 30th June 2007 was HK\$50 million whereas the cost of investment was HK\$24 million. Yangtze has declared and paid the Group a dividend of HK\$4.8 million during the first half of 2007. The cumulated dividend received from Yangtze since 2004 was HK\$40.8 million together with the fair value of Yangtze of HK\$50 million yield a return of 3.8 times over the cost of investment.

Upon the listing of two investee companies in the fourth quarter of 2006, the market value of the investment portfolio of Yangtze is more fairly reflected and exit is more readily available. Amongst the five other unlisted investee companies, Carling Technology (Gushan) Limited, which manufactures and sells biodiesel and other by-products, is anticipating to list in the third or fourth quarter of 2007.

(e) Details of number and remuneration of employees

Including the directors of the Group as at 30th June 2007, the Group employed a total of 149 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 revised land modification premium at HK\$210 million for the hotel development project at 43 Heung Yip Road has been received and accepted. Payment for the land premium has been fully made in August 2007 and banking facilities for the development project will be arranged. Occupation permit for the final phase development of Floral Villas, Tso Wo Hang, Sai Kung, of three luxury seaview houses was issued in July 2007 and the houses was under final touch-up. The Certificate of Compliance of No.1 Barker Road was issued in August 2007. 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 2007, 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		
	<i>(notes (a) & (b))</i>		<i>(note (c))</i>		
Directors:					
William Ma Ching Wai	4,668,254	160,134,973	38,115	164,841,342	57.3023%
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	47,828	—	—	47,828	0.0166%
Philip Ma Ching Yeung	101,732	—	—	101,732	0.0354%
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 138,996,736 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 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 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 the acquisition of shares, or underlying shares of, the Company or its associated corporations.

Substantial Shareholders

At 30th June 2007, 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 interest	Corporate interests		
		(note)		
Substantial shareholders:				
Kam Chan & Company, Limited	112,248,758	26,747,978	138,996,736	48.3182%
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 5,852,920 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, except for the following deviation.

The code provision A.4.2 stipulates that every director should be subject to retirement by rotation at least once every three years. However, according to the Articles of Association of the Company, at each annual general meeting one third of the directors for the time being shall retire from office. The Articles of Association constitutes a deviation from the CG Code. The Management will propose the amendment of the Articles of Association to comply with the code provision A.4.2 at the next annual general meeting.

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.

Review of Interim Results

The interim results for the six months ended 30th June 2007 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by PricewaterhouseCoopers, whose Report on Review of Interim Financial Information is set out on page 23. The interim results have also been reviewed by the Audit Committee.

By Order of the Board

William Ma Ching Wai
Chairman

Hong Kong, 14th September 2007