



TAI SANG LAND DEVELOPMENT LIMITED

2014 INTERIM REPORT

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Condensed Consolidated Balance Sheet

As at 30th June 2014 – Unaudited

	<i>Note</i>	As at 30th June 2014 <i>HK\$'000</i>	As at 31st December 2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	6	704,865	617,204
Investment properties	6	5,419,503	5,254,672
Available-for-sale financial assets		54,707	51,597
Prepayments		13,451	7,494
		6,192,526	5,930,967
Current assets			
Properties for sale		100,127	101,331
Debtors and prepayments	7	22,175	19,690
Current income tax recoverable		44	766
Cash and cash equivalents		32,846	59,846
		155,192	181,633
Current liabilities			
Rental and other deposits		54,483	50,849
Creditors and accruals	8	37,655	50,581
Current income tax liabilities		28,763	27,099
Short term bank loans – secured	9	340,917	300,792
Bank overdrafts – secured	9	–	4,181
Current portion of long term bank loans – secured	10	6,000	6,000
		467,818	439,502
Net current liabilities		(312,626)	(257,869)

Condensed Consolidated Balance Sheet (Continued)

As at 30th June 2014 – Unaudited

	<i>Note</i>	As at 30th June 2014 HK\$'000	As at 31st December 2013 HK\$'000
Total assets less current liabilities		5,879,900	5,673,098
Non-current liabilities			
Long term bank loans – secured	10	272,096	294,549
Deferred income tax liabilities	11	206,101	179,629
		478,197	474,178
Net assets		5,401,703	5,198,920
Equity			
Equity attributable to the Company's owners			
Share capital	12	287,670	287,670
Reserves		4,919,113	4,729,737
2013 final dividend proposed		–	11,507
2014 interim dividend declared		23,014	–
		5,229,797	5,028,914
Non-controlling interests		171,906	170,006
Total equity		5,401,703	5,198,920

The notes from pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30th June 2014 – Unaudited

		For the six months ended 30th June	
	<i>Note</i>	2014	2013
		HK\$'000	HK\$'000
Revenues	5	121,535	112,650
Cost of sales	13	(35,321)	(32,894)
		86,214	79,756
Gross profit			
Fair value gains on investment properties	6	211,975	245,135
Other gains, net	14	1,075	696
Administrative expenses	13	(43,295)	(39,279)
Other operating expenses	13	(6,690)	(7,907)
		249,279	278,401
Operating profit		249,279	278,401
Finance income	15	31	12
Finance costs	15	(6,104)	(7,987)
		(6,073)	(7,975)
Finance costs, net		(6,073)	(7,975)
Profit before income tax		243,206	270,426
Income tax expense	16	(30,151)	(13,729)
		213,055	256,697
Profit for the period		213,055	256,697
Attributable to:			
Owners of the Company		210,465	247,500
Non-controlling interests		2,590	9,197
		213,055	256,697
		213,055	256,697
Earnings per share (basic and diluted)	17	HK73 cents	HK86 cents
Dividend	18	23,014	20,137
Interim dividend per share	18	HK8 cents	HK7 cents

The notes from pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2014 – Unaudited

	For the six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	213,055	256,697
Other comprehensive income		
<u>Items that may be reclassified subsequently</u>		
<u>to profit or loss</u>		
Net fair value gain/(loss) on available-for-sale financial assets	2,685	(1,688)
Other comprehensive income for the period	2,685	(1,688)
Total comprehensive income for the period	215,740	255,009
Total comprehensive income attributable to:		
Owners of the Company	212,390	245,712
Non-controlling interests	3,350	9,297
	215,740	255,009

The notes from pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2014 – Unaudited

	For the six months ended 30th June	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Operating activities		
Net cash generated from operations	46,142	34,511
Hong Kong profits tax paid	(1,280)	(972)
Overseas taxation paid	(13)	(13)
	44,849	33,526
Net cash from operating activities	44,849	33,526
Investing activities		
Additions of property, plant and equipment and prepayments	(6,114)	(6,838)
Additions of investment properties and prepayments	(59,932)	(29,729)
Additions of available-for-sale financial assets	(367)	–
Proceeds on disposal of property, plant and equipment	1,365	2
Interest received	31	12
Dividends received	1,542	771
	(63,475)	(35,782)
Net cash used in investing activities	(63,475)	(35,782)
Financing activities		
Interest paid	(7,836)	(6,853)
Draw down of bank loan	40,000	56,048
Repayments of bank loans	(23,400)	(2,929)
Dividends paid to shareholders	(11,507)	(23,014)
Dividends paid to non-controlling shareholders of subsidiaries	(1,450)	(1,352)
	(4,193)	21,900
Net cash (used in)/from financing activities	(4,193)	21,900

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30th June 2014 – Unaudited

	For the six months ended 30th June	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net (decrease)/increase in cash and cash equivalents	(22,819)	19,644
Cash and cash equivalents at 1st January	55,665	34,225
Cash and cash equivalents at 30th June	32,846	53,869
Analysis of the balances of cash and cash equivalents		
Bank balances and cash and restricted bank deposits	32,846	57,940
Bank overdrafts	–	(4,071)
	32,846	53,869

The notes from pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2014 – Unaudited

	Attributable to owners of the Company					Non-		
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Investment revaluation reserve <i>HKS'000</i>	Exchange reserve <i>HKS'000</i>	Retained profits <i>HKS'000</i>	Total reserves <i>HKS'000</i>	controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1st January 2014	287,670	129,651	21,816	7,246	4,582,531	4,741,244	170,006	5,198,920
Total comprehensive income for the period	-	-	1,925	-	210,465	212,390	3,350	215,740
Transactions with owners								
– dividend paid	-	-	-	-	(11,507)	(11,507)	(1,450)	(12,957)
	<u>287,670</u>	<u>129,651</u>	<u>23,741</u>	<u>7,246</u>	<u>4,781,489</u>	<u>4,942,127</u>	<u>171,906</u>	<u>5,401,703</u>
At 30th June 2014	<u>287,670</u>	<u>129,651</u>	<u>23,741</u>	<u>7,246</u>	<u>4,781,489</u>	<u>4,942,127</u>	<u>171,906</u>	<u>5,401,703</u>
Representing:								
Equity and non-controlling interests	287,670	129,651	23,741	7,246	4,758,475	4,919,113	171,906	5,378,689
2014 interim dividend declared	-	-	-	-	23,014	23,014	-	23,014
	<u>287,670</u>	<u>129,651</u>	<u>23,741</u>	<u>7,246</u>	<u>4,781,489</u>	<u>4,942,127</u>	<u>171,906</u>	<u>5,401,703</u>
At 1st January 2013	287,670	129,651	29,586	7,242	4,210,721	4,377,200	160,207	4,825,077
Total comprehensive income for the period	-	-	(1,788)	-	247,500	245,712	9,297	255,009
Transactions with owners								
– dividend paid	-	-	-	-	(23,014)	(23,014)	(1,352)	(24,366)
	<u>287,670</u>	<u>129,651</u>	<u>27,798</u>	<u>7,242</u>	<u>4,435,207</u>	<u>4,599,898</u>	<u>168,152</u>	<u>5,055,720</u>
At 30th June 2013	<u>287,670</u>	<u>129,651</u>	<u>27,798</u>	<u>7,242</u>	<u>4,435,207</u>	<u>4,599,898</u>	<u>168,152</u>	<u>5,055,720</u>
Representing:								
Equity and non-controlling interests	287,670	129,651	27,798	7,242	4,415,070	4,579,761	168,152	5,035,583
2013 interim dividend declared	-	-	-	-	20,137	20,137	-	20,137
	<u>287,670</u>	<u>129,651</u>	<u>27,798</u>	<u>7,242</u>	<u>4,435,207</u>	<u>4,599,898</u>	<u>168,152</u>	<u>5,055,720</u>

The notes from pages 9 to 28 form an integral part of this condensed consolidated interim financial information.

1 General information

Tai Sang Land Development Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in property investment, property rental, property development, estate management and agency and hotel operations. The address of its registered office is 11th Floor, Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The Company’s shares are 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 2014 (the “Condensed Consolidated Interim Financial Information”) is presented in Hong Kong dollars (HK\$), unless otherwise stated, was approved by the board of directors on 18th August 2014.

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 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 Group had net current liabilities of HK\$312,626,000 as at 30th June 2014. The current liability mainly included short term bank loans of HK\$340,917,000. Based on the Group’s history of refinancing, its available banking facilities and its assets backing, the directors consider that the Group will be able to obtain sufficient financial resources so as to enable it to operate and meet its liabilities as and when they fall due.

Except as described below, the accounting policies and methods of computation used in the preparation of the Condensed Consolidated Interim Financial Information are consistent with those used in the annual report for the year ended 31st December 2013 (the “2013 Annual Report”). The Condensed Consolidated Interim Financial Information should be read in conjunction with the 2013 Annual Report, which has been prepared in accordance with the Hong Kong Financial Reporting Standards.

2 Basis of preparation and accounting policies (Continued)

The following amendments to standards are mandatory for accounting periods beginning on or after 1st January 2014. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Disclosures – Recoverable Amount of Impaired Assets
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities

New standards and amendments to standards that have been issued but are not effective for the financial year ending 31st December 2014, which are relevant to the Group's operation but have not been early adopted by the Group:

HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽²⁾
HKAS 19 (Amendment)	Defined Benefit Plans ⁽¹⁾
HKFRS 9	Financial Instruments ⁽⁴⁾
HKFRS 14	Regulatory Deferral Accounts ⁽²⁾
HKFRS 15	Revenue from Contracts with Customers ⁽³⁾
HKFRSs (Amendment)	Annual Improvements 2012, 2013 ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1st July 2014

⁽²⁾ Effective for the Group for annual period beginning on 1st January 2016

⁽³⁾ Effective for the Group for annual period beginning on 1st January 2017

⁽⁴⁾ Effective date to be determined

The Group will apply the above new standards and amendments to standards when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial financial impact will be resulted.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk.

The Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2013 Annual Report.

There have been no changes in any risk management policy since last year end.

(b) Fair value estimation

Financial instruments that are measured in the balance sheet at fair value required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value as at 30th June 2014 and 31st December 2013:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
At 30th June 2014				
Available-for-sale financial assets	<u>42,707</u>	<u>–</u>	<u>12,000</u>	<u>54,707</u>
Assets				
At 31st December 2013				
Available-for-sale financial assets	<u>39,597</u>	<u>–</u>	<u>12,000</u>	<u>51,597</u>

For the six months ended 30th June 2014, there were no transfers of financial assets of the Group between different levels of the fair value hierarchy.

For the six months ended 30th June 2014, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

For the six months ended 30th June 2014, there were no reclassifications of financial assets of the Group.

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.

Compared to the 2013 Annual Report, there were no material changes in the estimates and assumptions applied in the preparation of the Condensed Consolidated Interim Financial Information.

5 Revenues and segment information

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

	For the six months ended 30th June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues		
Property rental		
– investment properties	97,862	90,065
– properties for sale	11,650	10,307
Property related services	4,170	4,809
Hotel operations	7,853	7,469
	121,535	112,650
	121,535	112,650

Property rental and property related services revenue above included amounts of HK\$1,006,000 (2013: HK\$1,028,000) and HK\$247,000 (2013: HK\$205,000) from related companies and persons respectively.

5 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 30th June 2014 HK\$'000	As at 31st December 2013 HK\$'000
Not later than one year	194,183	179,908
Later than one year but not later than five years	220,884	193,354
Later than five years	11,897	14,551
	426,964	387,813
	426,964	387,813

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

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

There are no sales between the operating segments.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Revenues and segment information (Continued)

(c) Operating segments

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended			
30th June 2014			
Segment revenues			
Property rental	86,712	22,800	109,512
Property related services	4,170	–	4,170
Hotel operations	7,853	–	7,853
	<u>98,735</u>	<u>22,800</u>	<u>121,535</u>
Total segment revenues	<u>98,735</u>	<u>22,800</u>	<u>121,535</u>
Segment results – underlying profit			
– Property rental and related services	20,468	4,340	24,808
– Hotel operations	635	–	635
Fair value gains on investment properties	162,176	49,799	211,975
Deferred income tax, net	–	(24,363)	(24,363)
	<u>183,279</u>	<u>29,776</u>	<u>213,055</u>
Profit for the period	<u>183,279</u>	<u>29,776</u>	<u>213,055</u>
Included in segment results:			
Finance income	2	29	31
Finance costs	(4,558)	(1,546)	(6,104)
Income tax expense (<i>note</i>)	(5,775)	(13)	(5,788)
Depreciation	(8,239)	(505)	(8,744)
	<u>2</u>	<u>29</u>	<u>31</u>
Capital expenditure	<u>42,742</u>	<u>8,123</u>	<u>50,865</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Revenues and segment information (Continued)

(c) Operating segments (Continued)

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30th June 2014			
Property, plant and equipment	690,020	14,845	704,865
Investment properties	4,777,150	642,353	5,419,503
Non-current prepayments	13,451	–	13,451
	<hr/>	<hr/>	<hr/>
Non-current assets (excluding available-for-sale financial assets)	5,480,621	657,198	6,137,819
Non-current available-for-sale financial assets	54,707	–	54,707
Current assets	133,359	21,833	155,192
	<hr/>	<hr/>	<hr/>
Segment assets	<u>5,668,687</u>	<u>679,031</u>	<u>6,347,718</u>
	<hr/>	<hr/>	<hr/>
Current liabilities	458,063	9,755	467,818
Non-current liabilities	217,552	260,645	478,197
	<hr/>	<hr/>	<hr/>
Segment liabilities	<u>675,615</u>	<u>270,400</u>	<u>946,015</u>
	<hr/>	<hr/>	<hr/>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Revenues and segment information (Continued)

(c) Operating segments (Continued)

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30th June 2013			
Segment revenues			
Property rental	77,315	23,057	100,372
Property related services	4,809	–	4,809
Hotel operations	7,469	–	7,469
	<u>89,593</u>	<u>23,057</u>	<u>112,650</u>
Total segment revenues	<u>89,593</u>	<u>23,057</u>	<u>112,650</u>
Segment results – underlying profit			
– Property rental and related services	16,891	3,340	20,231
– Hotel operations	978	–	978
Fair value gains on investment properties	221,315	23,820	245,135
Deferred income tax, net	–	(9,647)	(9,647)
	<u>239,184</u>	<u>17,513</u>	<u>256,697</u>
Profit for the period	<u>239,184</u>	<u>17,513</u>	<u>256,697</u>
Included in segment results:			
Finance income	2	10	12
Finance costs	(6,678)	(1,309)	(7,987)
Income tax expense (<i>note</i>)	(4,069)	(13)	(4,082)
Depreciation	(6,455)	(386)	(6,841)
	<u>239,184</u>	<u>17,513</u>	<u>256,697</u>
Capital expenditure	<u>37,336</u>	<u>2,661</u>	<u>39,997</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Revenues and segment information (Continued)

(c) Operating segments (Continued)

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December 2013			
Property, plant and equipment	604,545	12,659	617,204
Investment properties	4,667,550	587,122	5,254,672
Non-current prepayments	7,494	–	7,494
	5,279,589	599,781	5,879,370
Non-current assets (excluding available-for-sale financial assets)			
Non-current available-for-sale financial assets	51,597	–	51,597
Current assets	134,758	46,875	181,633
	5,465,944	646,656	6,112,600
Segment assets	5,465,944	646,656	6,112,600
Current liabilities	431,332	8,170	439,502
Non-current liabilities	214,547	259,631	474,178
	645,879	267,801	913,680
Segment liabilities	645,879	267,801	913,680

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Property under development <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value or valuation				
At 1st January 2014	180,589	436,615	5,254,672	5,871,876
Additions	5,972	3,589	41,304	50,865
Transfer from properties for sale	1,204	–	–	1,204
Transfer from investment properties to property, plant and equipment	92,900	–	(92,900)	–
Transfer from property, plant and equipment to investment properties	(4,452)	–	4,452	–
Depreciation	(8,744)	–	–	(8,744)
Disposals and write-off	(2,808)	–	–	(2,808)
Fair value gains	–	–	211,975	211,975
	264,661	440,204	5,419,503	6,124,368
Net book value or valuation				
At 1st January 2013	191,084	418,000	4,751,076	5,360,160
Additions	1,449	12,702	25,846	39,997
Depreciation	(6,841)	–	–	(6,841)
Disposals	(88)	–	–	(88)
Fair value gains	–	–	245,135	245,135
	185,604	430,702	5,022,057	5,638,363
At 30th June 2013	185,604	430,702	5,022,057	5,638,363
Additions	3,124	5,913	45,540	54,577
Depreciation	(7,551)	–	–	(7,551)
Disposals and write-off	(588)	–	–	(588)
Fair value gains	–	–	187,075	187,075
	180,589	436,615	5,254,672	5,871,876
At 31st December 2013	180,589	436,615	5,254,672	5,871,876

6 Capital expenditure (Continued)

- (a) The valuations of the investment properties at 30th June 2014 and 31st December 2013 were carried out by independent professional property valuers, A A Property Services Limited and Mr David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company.

All the investment properties of the Group measured at fair value are categorised as level 3 in the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the period.

Level 3 fair values of investment properties have been generally derived using the mix of direct comparison method and income capitalisation approach.

This direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes in valuation techniques during the period.

- (b) The Group's property under development included additions of HK\$2,854,000 (2013: HK\$Nil) being interest expenses capitalised for the development project (note 15).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

7 Debtors and prepayments

Included in debtors and prepayments are trade debtors of HK\$108,000 (at 31st December 2013: HK\$528,000) and their ageing analysis is as follows:

	As at 30th June 2014 HK\$'000	As at 31st December 2013 HK\$'000
Current	108	490
31 – 60 days	—	38
	108	528
	108	528

The trade debtors represent rental and management fee receivables. The Group normally does not grant credit period to rental receivables, and grants 30 days credit period to management fees receivables.

8 Creditors and accruals

Included in creditors and accruals are trade creditors of HK\$10,918,000 (at 31st December 2013: HK\$22,341,000) and their ageing analysis is as follows:

	As at 30th June 2014 HK\$'000	As at 31st December 2013 HK\$'000
Current	10,519	17,529
31 – 60 days	170	218
61 – 90 days	96	49
Over 90 days	133	4,545
	10,918	22,341
	10,918	22,341

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9 Short term bank loans and bank overdrafts – secured

Short term bank loans and bank overdrafts of the Group are secured by property under development in Hong Kong with carrying value of HK\$440,205,000 (at 31st December 2013: HK\$436,615,000) and certain investment properties with carrying value of which is included in the disclosure in note 10 and the rental income thereon.

10 Long term bank loans – secured

	As at 30th June 2014 <i>HK\$'000</i>	As at 31st December 2013 <i>HK\$'000</i>
Bank loans		
– wholly repayable within five years	146,118	145,223
– wholly repayable after five years	131,978	155,326
	278,096	300,549
Amount due within one year included under current liabilities	(6,000)	(6,000)
	272,096	294,549
The maturity of the Group's long term bank loans is as follows:		
– within one year	6,000	6,000
– in the second year	8,167	7,084
– in the third to fifth year	140,620	139,724
– after the fifth year	123,309	147,741
	278,096	300,549

The Group's long term bank loans together with certain short term bank loans and bank overdrafts (note 9) are secured by the freehold land and building in the US and certain investment properties in the US and Hong Kong with an aggregate carrying value of HK\$3,481,103,000 (at 31st December 2013: HK\$3,281,207,000) and the rental income thereon.

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 applicable tax rates prevailing in the countries in which the Group operates.

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

	For the six months ended 30th June		For the year ended 31st December
	2014	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the period/year	179,629	139,187	139,187
Charged to income statement (note 16)	26,472	10,076	40,442
	206,101	149,263	179,629

12 Share capital

	As at 30th June 2014	As at 31st December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised (note (a)) 400,000,000 ordinary shares of HK\$1 each (note (b))	—	400,000
Issued and fully paid 287,669,676 ordinary shares	287,670	287,670

Note:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Cost and expenses

	For the six months ended 30th June	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Depreciation	8,744	6,841
Outgoings in respect of		
– investment properties	19,476	19,907
– properties for sale	3,700	2,849
– property related services	4,843	3,572
– property, plant and equipment	670	338
– hotel operations	4,238	3,852
Operating lease rental for office premises to a related company	1,336	1,650
Staff costs	25,835	24,527
Others	16,464	16,544
	85,306	80,080
Total cost of sales, administrative and other operating expenses		

14 Other gains, net

	For the six months ended 30th June	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividend income from listed available-for-sale financial assets	1,599	771
Loss on disposal of plant and equipment, net	(524)	(75)
	1,075	696

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15 Finance income and costs

	For the six months ended 30th June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from banks	31	12
Finance costs		
Interest expenses		
– bank loans and overdrafts wholly repayable within five years	(7,411)	(7,810)
– bank loan wholly repayable after five years	(1,547)	(177)
	(8,958)	(7,987)
Less: Amount capitalised in property under development (note 6 (b))	2,854	–
	(6,104)	(7,987)
Finance costs, net	(6,073)	(7,975)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Except for the minimum United States state tax which has been paid during the period, no overseas taxation (2013: HK\$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the period.

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

	For the six months ended 30th June	
	2014 HK\$'000	2013 HK\$'000
Current income tax		
– Hong Kong profits tax	3,666	3,640
– overseas taxation	13	13
	<u>3,679</u>	<u>3,653</u>
Deferred income tax (note 11)	26,472	10,076
	<u><u>30,151</u></u>	<u><u>13,729</u></u>

17 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$210,465,000 (2013: HK\$247,500,000) and on 287,669,676 (2013: 287,669,676) ordinary shares in issue during the period.

As there are no dilutive potential ordinary shares for the six months ended 30th June 2014 and 2013, the diluted earnings per share is equal to the basic earnings per share.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18 Dividend

	For the six months ended 30th June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, declared, of HK8 cents (2013: HK7 cents) per ordinary share	23,014	20,137

At a meeting held on 18th August 2014, the directors declared an interim dividend of HK8 cents per ordinary share for the year ending 31st December 2014. 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 2014.

19 Commitments

(a) Capital commitments

	As at 30th June 2014 <i>HK\$'000</i>	As at 31st December 2013 <i>HK\$'000</i>
Contracted but not provided for		
– investment properties	138,953	38,618
– property, plant and equipment	6,641	2,696
– property under development	122,375	5,074
	267,969	46,388

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19 Commitments (Continued)

(b) Commitments under operating leases

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

	As at 30th June 2014 HK\$'000	As at 31st December 2013 HK\$'000
Land and buildings		
– not later than one year	3,840	600
– later than one year but not later than five years	6,560	–
	10,400	600

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 Tai Sang Land Development Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2014 (the “Interim Financial Information”) set out on pages 2 to 28, which comprises the condensed consolidated balance sheet of the Group as at 30th June 2014 and the related condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on 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, 18th August 2014

Chairman's Statement

Result

I am pleased to report that the Group's consolidated profit for the first half of 2014 was HK\$213.0 million, a drop of 17.0% as compared to consolidated profit for the same period last year of HK\$256.7 million. Earnings per share were HK\$0.73 (2013: HK\$0.86) a drop of 15.1% over the same period last year. The consolidated profit for the first half of 2014 included fair value gains on investment properties (net of deferred tax) of HK\$187.6 million, as compared to fair value gains on investment properties (net of deferred tax) of HK\$235.5 million for the same period last year.

The Group's underlying profit for the first half of 2014, excluding the effect of fair value gains on investment properties (net of deferred tax), was approximately HK\$25.4 million, increased by HK\$4.2 million or 19.8% as compared to the corresponding figure of HK\$21.2 million for the same period of 2013. The increase in the underlying profit was mainly attributable to the increase in the rental income from Hong Kong properties.

The revenues of the Group for the first half of 2014, was HK\$121.5 million, representing an increase of HK\$8.9 million or 7.9% as compared with HK\$112.6 million for the same period last year.

At 30th June 2014, the investment properties of the Group were revalued at HK\$5,419.5 million (31st December 2013: HK\$5,254.7 million). Total equity amounted to HK\$5,401.7 million (31st December 2013: HK\$5,198.9 million).

Dividend

The directors have declared an interim dividend of HK8 cents (2013: HK7 cents) per ordinary share.

Outlook

The various political issues, such as call for variations on solo travel scheme, may have significant impacts on the Hong Kong economy. Interest rates may not be raised shortly till 2015. The eventual rise will however impose adverse impact. Other than the aforesaid, we remain cautiously optimistic in the coming future.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy.

William Ma Ching Wai
Chairman

Hong Kong, 18th August 2014

Management Discussion and Analysis

Business Review and Prospects

In Hong Kong, the gross rental income increased 12.2% or HK\$9.4 million to HK\$86.7 million as compared to the same period last year. The rental contribution from Gateway ts increased by HK\$3.9 million or 9.6% as compared to the same period last year. The growth in the rental income from Gateway ts reflected the right track on upgrading and improvement of Gateway ts into a modernised logistic center. The improved occupancy rate of commercial units and shops also contributed to the rental income increment.

The hotel room charge income increased 5.1% or HK\$0.38 million to HK\$7.85 million as compared to the same period last year. The occupancy rate was stable at about 96% in average. The profit generated from the operation of Hotel LBP however decreased 34.7% or HK\$0.34 million to HK\$0.64 million as compared to the same period last year due to the increasing operating cost and continuous replenishment expenditures.

Hotel development at Wong Chuk Hang commenced in the first half of 2014. The construction cost rise significantly and continuously in recent years, it is expected that the construction cost for the hotel development will increase.

In the USA, the rental income from Montgomery Plaza decreased 1.3% or HK\$0.3 million to HK\$22.8 million as compared to the same period last year. The office spaces occupancy rate of Montgomery Plaza remained at about 95% and the average office rent per square feet per annum at about US\$40 at mid-year 2014.

The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased HK\$13.5 million to HK\$619.0 million (at 31st December 2013: HK\$605.5 million). The total equity increased HK\$202.8 million to HK\$5,401.7 million (at 31st December 2013: HK\$5,198.9 million) and the long term bank loans outstanding was HK\$278.1 million (at 31st December 2013: HK\$300.5 million). The debt to equity ratio was 11.5% (at 31st December 2013: 11.6%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

Management Discussion and Analysis (Continued)

Capital structure of the Group

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

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

	As at 30th June 2014 HK\$'000	As at 31st December 2013 HK\$'000
– within one year	6,000	6,000
– in the second year	8,167	7,084
– in the third to fifth year	140,620	139,724
– after the fifth year	123,309	147,741
	278,096	300,549

The Group's total bank borrowings of HK\$619.0 million (at 31st December 2013: HK\$605.5 million) are secured by certain properties with an aggregate carrying amount of HK\$3,921.3 million (at 31st December 2013: HK\$3,717.8 million) and the rental income thereon.

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

Significant investment held and their performance and future prospects

The Group held certain listed investments with fair value as at 30th June 2014 of HK\$42.7 million (at 31st December 2013: HK\$39.6 million).

The Group held certain unlisted investments with fair value as at 30th June 2014 of HK\$12 million (at 31st December 2013: HK\$12 million). It included 12% equity interest each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited and Yangtze China Investment Limited.

Details of number and remuneration of employees

As at 30th June 2014, the Group employed a total of 182 full-time employees (including the directors). In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

Interim Dividend and Record Date

The board of directors has resolved to declare an interim dividend of HK8 cents (2013: HK7 cents) per ordinary share, payable on 24th September 2014 to shareholders whose names standing on the register of members at the close of business on 5th September 2014 (the “Record Date”). In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 5th September 2014.

Directors’ and Chief Executive’s Interests in Shares

At 30th June 2014, 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

	Capacity		Total	Percentage
	Personal interest	Corporate interests		
		<i>(notes (a) & (b))</i>		
Directors:				
William Ma Ching Wai	4,608,354	160,134,973	164,743,327	57.2682%
Patrick Ma Ching Hang	46,256	8,732,013	8,778,269	3.0515%
Alfred Ma Ching Kuen	9,987	–	9,987	0.0035%
Amy Ma Ching Sau	347,942	–	347,942	0.1210%
Philip Ma Ching Yeung	127,741	–	127,741	0.0444%
Edward Cheung Wing Yui	–	–	–	–
Kevin Chau Kwok Fun	–	–	–	–
Tan Soo Kiu	–	–	–	–
William Wong Hing Kwok	–	–	–	–
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. Alfred Ma Ching Kuen beneficially held 9,886 shares (or 0.1765%) in the aggregate number of shares in issue of a subsidiary, Tai Sang Cold Storage & Godown Company Limited.
- (d) Mr. Patrick Ma Ching Hang and Ms. Katy Ma Ching Man jointly and beneficially held 47 shares (or 0.94%); Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly and beneficially held 1 share (or 0.02%); and Mr. Alfred Ma Ching Kuen beneficially held 23 shares (or 0.46%) in the aggregate number of shares in issue of a subsidiary, Kam Hang Company Limited.
- (e) In addition, certain directors of the Company held non-beneficial interests in subsidiaries in trust to the absolute benefit of the Company, the details of which are available for inspection at the Company's registered office.
- (f) 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.
- (g) At no time during the period was the Company or any of its subsidiaries 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 2014, 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

	Capacity		Total	Percentage
	Personal interest	Corporate interests		
		<i>(note)</i>		
Substantial shareholders:				
Kan 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 subsidiaries 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 subsidiaries has purchased or sold any of the Company's shares during the period.

Corporate Governance

The Company has complied with the code provisions of Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the period.

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

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

Independent Review

The interim results have been reviewed by the Audit Committee of the Company. The interim results for the six months ended 30th June 2014 are unaudited, but have also been reviewed by PricewaterhouseCoopers, the Company’s independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A Report on Review of Interim Financial Information is set out on page 29.

By Order of the Board
William Ma Ching Wai
Chairman

Hong Kong, 18th August 2014