



# **TAI SANG LAND DEVELOPMENT LIMITED**

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**2016 INTERIM REPORT**

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### *Registered office*

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130-132 Des Voeux Road Central, Hong Kong

### *Registrar and Transfer office*

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong

## Condensed Consolidated Statement of Financial Position

*As at 30th June 2016 – Unaudited*

	<i>Note</i>	<b>As at 30th June 2016 <i>HK\$'000</i></b>	As at 31st December 2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	6	1,335,150	1,319,481
Investment properties	6	6,613,156	6,381,584
Available-for-sale financial assets		51,394	53,100
Prepayments		15,387	13,894
		8,015,087	7,768,059
		8,015,087	7,768,059
<b>Current assets</b>			
Properties for sale		101,740	101,713
Inventory		9	23
Debtors and prepayments	7	20,373	21,294
Current income tax recoverable		4	289
Cash and cash equivalents		51,833	57,501
		173,959	180,820
		173,959	180,820
<b>Total assets</b>		8,189,046	7,948,879
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	8	417,321	417,321
Reserves		6,141,920	5,960,915
		6,559,241	6,378,236
<b>Non-controlling interests</b>		187,330	194,290
<b>Total equity</b>		6,746,571	6,572,526
<b>Non-current liabilities</b>			
Long term bank loans – secured	9	600,820	519,364
Deferred income tax liabilities	10	305,116	275,501
		905,936	794,865
		905,936	794,865

## Condensed Consolidated Statement of Financial Position (Continued)

*As at 30th June 2016 – Unaudited*

	<i>Note</i>	<b>As at 30th June 2016 HK\$'000</b>	As at 31st December 2015 HK\$'000
<b>Current liabilities</b>			
Rental and other deposits		59,745	62,609
Creditors and accruals	11	31,884	47,193
Current income tax liabilities		11,367	27,038
Short term bank loans – secured	12	290,000	302,000
Current portion of long term bank loans – secured	9	143,543	142,648
		536,539	581,488
<b>Total equity and liabilities</b>		<b>8,189,046</b>	<b>7,948,879</b>

The notes from pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Profit or Loss

*For the six months ended 30th June 2016 – Unaudited*

	<i>Note</i>	<b>For the six months ended 30th June</b>	
		<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenues	5	<b>138,876</b>	136,647
Cost of sales	13	<b>(40,953)</b>	(37,557)
<b>Gross profit</b>		<b>97,923</b>	99,090
Fair value gains on investment properties	6	<b>173,882</b>	307,203
Other gains, net	14	<b>11</b>	8,736
Administrative expenses	13	<b>(49,887)</b>	(47,237)
Other operating expenses	13	<b>(4,389)</b>	(4,794)
<b>Operating profit</b>		<b>217,540</b>	362,998
Finance income	15	<b>18</b>	13
Finance costs	15	<b>(7,325)</b>	(6,591)
Finance costs, net		<b>(7,307)</b>	(6,578)
<b>Profit before income tax</b>		<b>210,233</b>	356,420
Income tax expense	16	<b>(15,123)</b>	(19,956)
<b>Profit for the period</b>		<b>195,110</b>	336,464
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>199,587</b>	316,431
Non-controlling interests		<b>(4,477)</b>	20,033
		<b>195,110</b>	336,464
<b>Earnings per share (basic and diluted)</b>	17	<b>HK\$0.69</b>	HK\$1.10

The notes from pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 30th June 2016 – Unaudited*

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>195,110</b>	336,464
<b>Other comprehensive income</b>		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Net fair value (loss)/gain on available-for-sale financial assets	(1,686)	2,385
Recycle to profit or loss upon disposal of available-for-sale financial assets	38	(7,996)
<b>Other comprehensive income for the period</b>	<b>(1,648)</b>	(5,611)
<b>Total comprehensive income for the period</b>	<b>193,462</b>	330,853
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	198,265	312,248
Non-controlling interests	(4,803)	18,605
	<b>193,462</b>	330,853

The notes from pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Cash Flows

*For the six months ended 30th June 2016 – Unaudited*

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operations	47,202	46,634
Hong Kong profits tax paid	(881)	(784)
Overseas taxation paid	(13)	(13)
	46,308	45,837
<b>Net cash generated from operating activities</b>	46,308	45,837
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment and prepayments	(22,000)	(34,144)
Additions of investment properties and prepayments	(66,487)	(59,977)
Proceeds on disposal of available-for-sale financial assets	1	–
Proceeds on disposal of property, plant and equipment	115	202
Interest received	18	13
Dividends received	996	855
	(87,357)	(93,051)
<b>Net cash used in investing activities</b>	(87,357)	(93,051)
<b>Cash flows from financing activities</b>		
Interest paid	(13,481)	(9,499)
Draw down of bank loans	156,200	218,400
Repayments of bank loans	(87,921)	(142,000)
Dividends paid to shareholders	(17,260)	(14,383)
Dividends paid to non-controlling shareholders of subsidiaries	(2,157)	(2,097)
	35,381	50,421
<b>Net cash generated from financing activities</b>	35,381	50,421

## Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30th June 2016 – Unaudited

	For the six months ended 30th June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,668)</b>	3,207
Cash and cash equivalents at 1st January	<b>57,501</b>	40,110
<b>Cash and cash equivalents at 30th June</b>	<b>51,833</b>	43,317
Cash and cash equivalents comprises:		
Bank balances and cash and restricted bank deposits	<b>51,833</b>	43,983
Bank overdrafts	–	(666)
<b>Cash and cash equivalents</b>	<b>51,833</b>	43,317

The notes from pages 9 to 26 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 2016 – Unaudited*

	Attributable to owners of the Company							
	Share capital <i>HKS'000</i>	Property revaluation reserve <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>	Non- controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1st January 2016	417,321	549,850	15,437	7,249	5,388,379	5,960,915	194,290	6,572,526
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	199,587	199,587	(4,477)	195,110
<b>Other comprehensive income</b>								
Net fair value loss on available-for-sales financial assets	-	-	(1,360)	-	-	(1,360)	(326)	(1,686)
Recycle to profit or loss upon disposal of available-for-sales financial assets	-	-	38	-	-	38	-	38
<b>Total comprehensive income for the period</b>	-	-	(1,322)	-	199,587	198,265	(4,803)	193,462
<b>Transaction with owners</b>								
- dividend paid	-	-	-	-	(17,260)	(17,260)	(2,157)	(19,417)
<b>At 30th June 2016</b>	<b>417,321</b>	<b>549,850</b>	<b>14,115</b>	<b>7,249</b>	<b>5,570,706</b>	<b>6,141,920</b>	<b>187,330</b>	<b>6,746,571</b>
At 1st January 2015	417,321	-	24,953	7,249	5,168,261	5,200,463	180,905	5,798,689
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	316,431	316,431	20,033	336,464
<b>Other comprehensive income</b>								
Net fair value gain/(loss) on available-for-sales financial assets	-	-	2,943	-	-	2,943	(558)	2,385
Recycle to profit or loss upon disposal of available-for-sales financial assets	-	-	(7,126)	-	-	(7,126)	(870)	(7,996)
<b>Total comprehensive income for the period</b>	-	-	(4,183)	-	316,431	312,248	18,605	330,853
<b>Transaction with owners</b>								
- dividend paid	-	-	-	-	(14,383)	(14,383)	(2,097)	(16,480)
<b>At 30th June 2015</b>	<b>417,321</b>	<b>-</b>	<b>20,770</b>	<b>7,249</b>	<b>5,470,309</b>	<b>5,498,328</b>	<b>197,413</b>	<b>6,113,062</b>

The notes from pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

## Notes to the Condensed Consolidated Interim Financial Information

### 1 General information

Tai Sang Land Development Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in property investment, property rental, property development, estate management and agency, hotel operation and restaurant operation. 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 Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2016 (the “Condensed Consolidated Interim Financial Information”) is presented in Hong Kong dollar (“HK\$”), unless otherwise stated, was approved by the board of directors on 22nd August 2016.

The financial information relating to the year ended 31st December 2015 that is included in the Condensed Consolidated Interim Financial Information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

### 2 Basis of preparation and accounting policies

This 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.

## **2 Basis of preparation and accounting policies (Continued)**

The Group had net current liabilities of HK\$362,580,000 as at 30th June 2016. The current liability mainly included short term bank loans of HK\$290,000,000 and current portion of long term bank loans of HK\$143,543,000. 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. The directors believe that the Group will continue as a going concern and consequently prepared the Condensed Consolidated Interim Financial Information on a going concern basis.

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 2015 (the "2015 Annual Report"). The Condensed Consolidated Interim Financial Information should be read in conjunction with the 2015 Annual Report, which has been prepared in accordance with the Hong Kong Financial Reporting Standards.

The following amendments to standards are mandatory for accounting periods beginning on or after 1st January 2016. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual Improvements 2012-2014

## **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 2015 Annual Report.

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

**3 Financial risk management (Continued)**

(b) Fair value estimation

Financial instruments that are measured in the statement of financial position 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).

The following table presents the Group's financial assets that are measured at fair value as at 30th June 2016 and 31st December 2015:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
<b>Assets</b>			
<b>At 30th June 2016</b>			
Available-for-sale financial assets	<u>40,394</u>	<u>–</u>	<u>11,000</u>
<b>Assets</b>			
<b>At 31st December 2015</b>			
Available-for-sale financial assets	<u>42,100</u>	<u>–</u>	<u>11,000</u>

For the six months ended 30th June 2016, 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 2016, 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 2016, 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 2015 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 recognised during the period are as follows:

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues		
Property rental		
– investment properties	<b>109,767</b>	110,727
– properties for sale	<b>14,073</b>	13,189
Property related services	<b>6,970</b>	4,335
Hotel operations	<b>7,276</b>	7,654
Restaurant operations	<b>790</b>	742
	<b>138,876</b>	136,647
	<b>138,876</b>	136,647

Property rental and property related services revenue above included amounts of HK\$1,101,000 (2015: HK\$1,052,000) and HK\$191,000 (2015: HK\$175,000) 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:

	<b>As at 30th June 2016 HK\$'000</b>	<b>As at 31st December 2015 HK\$'000</b>
Not later than one year	<b>173,916</b>	193,201
Later than one year but not later than five years	<b>148,214</b>	154,387
Later than five years	<b>3,326</b>	3,326
	<b>325,456</b>	350,914
	<b>325,456</b>	350,914

(c) Operating segments

The executive directors of the Company are the Group's chief operating decision-maker. 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 (Continued)

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>North America</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>For the six months ended 30th June 2016</b>			
Segment revenues			
Property rental	96,631	27,209	123,840
Property related services	6,970	–	6,970
Hotel operations	7,276	–	7,276
Restaurant operations	790	–	790
	<b>111,667</b>	<b>27,209</b>	<b>138,876</b>
Total segment revenues	<b>111,667</b>	<b>27,209</b>	<b>138,876</b>
Segment results – underlying profit			
– Property rental and related services	22,761	7,755	30,516
– Hotel operations	59	–	59
– Restaurant operations	(966)	–	(966)
Fair value gains on investment properties	154,966	18,916	173,882
Deferred income tax	–	(8,381)	(8,381)
	<b>178,626</b>	<b>26,390</b>	<b>205,016</b>
Profit for the period			<b>195,110</b>
Included in segment results:			
Finance income	3	15	18
Finance costs	(5,799)	(1,526)	(7,325)
Depreciation	(7,964)	(861)	(8,825)
	<b>(13,760)</b>	<b>(1,372)</b>	<b>(15,132)</b>
Capital expenditure	<b>81,215</b>	<b>2,012</b>	<b>83,227</b>

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

### 5 Revenues and segment information (Continued)

#### (c) Operating segments (Continued)

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>North America</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 30th June 2016</b>			
Property, plant and equipment	1,320,778	14,372	1,335,150
Investment properties	5,844,450	768,706	6,613,156
Non-current prepayments	3,853	11,534	15,387
	7,169,081	794,612	7,963,693
Non-current assets (excluding available-for-sale financial assets)	51,394	–	51,394
Non-current available-for-sale financial assets	138,206	35,753	173,959
Current assets	7,358,681	830,365	8,189,046
Segment assets	7,358,681	830,365	8,189,046
Current liabilities	524,273	12,266	536,539
Non-current liabilities	568,843	337,093	905,936
	1,093,116	349,359	1,442,475
Segment liabilities	1,093,116	349,359	1,442,475



## 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 2015			
Segment revenues			
Property rental	96,411	27,505	123,916
Property related services	4,335	–	4,335
Hotel operations	7,654	–	7,654
Restaurant operations	742	–	742
	<u>109,142</u>	<u>27,505</u>	<u>136,647</u>
Total segment revenues			
	<u>109,142</u>	<u>27,505</u>	<u>136,647</u>
Segment results – underlying profit			
– Property rental and related services	33,807	7,744	41,551
– Hotel operations	840	–	840
– Restaurant operations	(1,328)	–	(1,328)
Fair value gains on investment properties	288,839	18,364	307,203
Deferred income tax, net	–	(11,802)	(11,802)
	<u>–</u>	<u>(11,802)</u>	<u>(11,802)</u>
Profit for the period			<u>336,464</u>
Included in segment results:			
Finance income	4	9	13
Finance costs	(5,218)	(1,373)	(6,591)
Depreciation	(5,525)	(808)	(6,333)
	<u>(5,525)</u>	<u>(808)</u>	<u>(6,333)</u>
Capital expenditure	<u>86,594</u>	<u>551</u>	<u>87,145</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 2015			
Property, plant and equipment	1,305,504	13,977	1,319,481
Investment properties	5,632,550	749,034	6,381,584
Non-current prepayments	4,669	9,225	13,894
	6,942,723	772,236	7,714,959
Non-current assets (excluding available-for-sale financial assets)	6,942,723	772,236	7,714,959
Non-current available-for-sale financial assets	53,100	–	53,100
Current assets	147,271	33,549	180,820
	7,143,094	805,785	7,948,879
Segment assets	7,143,094	805,785	7,948,879
Current liabilities	568,010	13,478	581,488
Non-current liabilities	483,331	311,534	794,865
	1,051,341	325,012	1,376,353
Segment liabilities	1,051,341	325,012	1,376,353

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

### 6 Capital expenditure

	<b>Property, plant and equipment</b> <i>HK\$ '000</i>	<b>Investment properties</b> <i>HK\$ '000</i>	<b>Total</b> <i>HK\$ '000</i>
<b>Net book value or valuation</b>			
At 1st January 2016	1,319,481	6,381,584	7,701,065
Additions	25,537	57,690	83,227
Depreciation	(8,825)	–	(8,825)
Disposals and write-off	(1,043)	–	(1,043)
Fair value gains	–	173,882	173,882
	<b>1,335,150</b>	<b>6,613,156</b>	<b>7,948,306</b>
<b>Net book value or valuation</b>			
At 1st January 2015	757,442	5,927,858	6,685,300
Additions	36,062	51,083	87,145
Transfer from property, plant and equipment to investment properties	(1,629)	1,629	–
Depreciation	(6,333)	–	(6,333)
Disposals and write-off	(265)	–	(265)
Fair value gains	–	307,203	307,203
	785,277	6,287,773	7,073,050
At 30th June 2015	785,277	6,287,773	7,073,050
Additions	62,083	93,728	155,811
Transfer from property, plant and equipment to investments properties	(682,688)	682,688	–
Transfer from investment properties to property, plant and equipment	616,000	(616,000)	–
Revaluation surplus upon transfer to investment properties	549,850	–	549,850
Depreciation	(8,652)	–	(8,652)
Disposals and write-off	(2,389)	–	(2,389)
Fair value losses	–	(66,605)	(66,605)
	<b>1,319,481</b>	<b>6,381,584</b>	<b>7,701,065</b>
At 31st December 2015	<b>1,319,481</b>	<b>6,381,584</b>	<b>7,701,065</b>

## 6 Capital expenditure (Continued)

- (a) The valuations of the investment properties at 30th June 2016 and 31st December 2015 were carried out by independent professional property valuers, A A Property Services Limited and 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, income capitalisation approach and residual method.

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.

The residual method is based on the market value of the proposed development upon completion from which the costs of development including construction costs, professional fees, interest payment and profits are deducted in order to arrive at the residual value appropriate to the property. In arriving at the market value of the property, the time of the completion of the proposed development has been taken into account.

- (b) The Group's property, plant and equipment and investment property included additions of HK\$6,566,000 (2015: HK\$4,143,000) and HK\$985,000 (2015: HK\$Nil) respectively (note 15) being interest expenses capitalised for the development projects.

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

### 7 Debtors and prepayments

Included in debtors and prepayments are trade debtors of HK\$927,000 (at 31st December 2015: HK\$379,000) and their ageing analysis is as follows:

	<b>As at 30th June 2016 HK\$'000</b>	<b>As at 31st December 2015 HK\$'000</b>
0-30 days	739	376
31-60 days	186	—
Over 90 days	2	3
	<b>927</b>	<b>379</b>

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 Share capital

Ordinary shares, issued and fully paid:

	<b>Number of shares (thousands)</b>	<b>Share capital HK\$'000</b>
At 1st January 2016, 30th June 2016 and 31st December 2015	<b>287,670</b>	<b>417,321</b>

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

### 9 Long term bank loans – secured

	As at <b>30th June</b> <b>2016</b> <i>HK\$'000</i>	As at 31st December 2015 <i>HK\$'000</i>
Bank loans		
– wholly repayable within five years	744,363	662,012
Amount due within one year included under current liabilities	(143,543)	(142,648)
	600,820	519,364
The maturity of the Group's long term bank loans is as follows:		
– within one year	143,543	142,648
– in the second year	177,940	5,842
– in the third to fifth year	422,880	513,522
	744,363	662,012

The Group's long term bank loans together with certain short term bank loans (note 12) are secured by the freehold land and building and investment property in the US and certain investment properties and property under development in Hong Kong with an aggregate carrying value of HK\$4,878,665,000 (at 31st December 2015: HK\$4,722,755,000) and the rental income thereon.

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

### 10 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:

	<b>For the six months ended 30th June</b>		For the year ended 31st December
	<b>2016</b>	2015	2015
	<b>HK\$'000</b>	HK\$'000	HK\$'000
At the beginning of the period/year	<b>275,501</b>	243,221	243,221
Charged to profit or loss	<b>29,615</b>	15,432	32,280
	<b>305,116</b>	258,653	275,501
	<b>305,116</b>	258,653	275,501

### 11 Creditors and accruals

Included in creditors and accruals are trade creditors of HK\$6,277,000 (at 31st December 2015: HK\$18,398,000) and their ageing analysis is as follows:

	<b>As at 30th June 2016</b>	As at 31st December 2015
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>6,100</b>	18,388
31-60 days	<b>167</b>	2
61-90 days	<b>1</b>	–
Over 90 days	<b>9</b>	8
	<b>6,277</b>	18,398
	<b>6,277</b>	18,398

### 12 Short term bank loans – secured

Short term bank loans of the Group are secured by certain investment properties in Hong Kong with carrying value of which is included in the disclosure in note 9 and the rental income thereon.

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

### 13 Cost and expenses

	For the six months ended 30th June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	8,825	6,333
Outgoings in respect of		
– investment properties	21,235	19,825
– properties for sale	4,098	3,643
– property related services	6,029	5,315
– property, plant and equipment	1,300	528
– hotel operations	5,475	5,109
– restaurant operations	1,675	2,035
Operating lease rental for office premises to a related company ( <i>note</i> )	2,184	2,184
Employee benefit expense	30,471	29,399
Others	13,937	15,217
	95,229	89,588

*Note:* The transaction was based on prices and terms as agreed by parties involved.

### 14 Other gains, net

	For the six months ended 30th June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividend income from available-for-sale financial assets	996	855
(Loss)/gain on disposal of available-for-sale financial assets	(57)	7,778
(Loss)/gain on disposal of plant and equipment, net	(928)	103
	11	8,736



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

**15 Finance income and costs**

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Finance income		
Interest income from banks	<b>18</b>	13
Finance costs		
Interest expenses		
– bank loans and overdrafts wholly repayable within five years	(14,876)	(9,361)
– bank loan wholly repayable after five years	–	(1,373)
	<b>(14,876)</b>	(10,734)
Less: Amount capitalised in property, plant and equipment and investment property (note 6(b))	7,551	4,143
	<b>(7,325)</b>	(6,591)
Finance costs, net	<b>(7,307)</b>	(6,578)

**16 Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Except for the minimum United States state tax which has been paid during the period, no overseas taxation (2015: HK\$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the period.

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

### 16 Income tax expense (Continued)

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

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Income tax expenses	<b>15,123</b>	19,956

### 17 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$199,587,000 (2015: HK\$316,431,000) and on 287,670,000 (2015: 287,670,000) ordinary shares in issue during the period.

As there are no dilutive potential ordinary shares for the six months ended 30th June 2016 and 2015, the diluted earnings per share is equal to the basic earnings per share.

### 18 Dividend

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Interim, declared, of HK10 cents (2015: HK10 cents) per ordinary share	<b>28,767</b>	28,767

At a meeting held on 22nd August 2016, the directors declared an interim dividend of HK10 cents per ordinary share for the year ending 31st December 2016. 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 2016.

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

### 19 Commitments

(a) Capital commitments

	<b>As at 30th June 2016 HK\$'000</b>	As at 31st December 2015 HK\$'000
Contracted but not provided for		
– investment properties	<b>166,506</b>	213,399
– property, plant and equipment	<b>232</b>	1,022
– property under development	<b>19,552</b>	28,673
	<b>186,290</b>	243,094
	<b>186,290</b>	243,094

(b) Commitments under operating leases

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

	<b>As at 30th June 2016 HK\$'000</b>	As at 31st December 2015 HK\$'000
Land and buildings		
– not later than one year	<b>2,720</b>	3,840
– later than one year but not later than five years	<b>–</b>	800
	<b>2,720</b>	4,640
	<b>2,720</b>	4,640

# 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 set out on pages 2 to 26, which comprises the condensed consolidated statement of financial position of Tai Sang Land Development Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2016 and the related condensed consolidated statements of profit or loss, 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” 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 Hong Kong Accounting Standard 34 “Interim Financial Reporting”. 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 Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22nd August 2016

## Chairman's Statement

### Result

I am pleased to report that the Group's consolidated profit for the first half of 2016 was HK\$195.1 million, a decrease of 42.0% as compared to consolidated profit for the same period last year of HK\$336.5 million. Earnings per share for the first half of 2016 were HK\$0.69 (2015: HK\$1.1) a decrease of 37.3% over the same period last year. The consolidated profit for the first half of 2016 included fair value gains on investment properties (net of deferred tax) of HK\$165.5 million, as compared to fair value gains on investment properties (net of deferred tax) of HK\$295.4 million for the same period last year.

The Group's underlying profit for the first half of 2016, excluding the effect of fair value gains on investment properties (net of deferred tax), was approximately HK\$29.6 million, decreased by HK\$11.5 million or 28.0% as compared to the corresponding figure of HK\$41.1 million for the same period of 2015. The decrease in the underlying profit was attributable to the lack of disposal gain of listed securities for the current period and the increase in the operating cost.

The revenues of the Group for the first half of 2016, was HK\$138.9 million, representing an increase of HK\$2.3 million or 1.7% as compared with HK\$136.6 million for the same period last year.

At 30th June 2016, the valuation of investment properties of the Group was HK\$6,613.2 million (31st December 2015: HK\$6,381.6 million). Total equity amounted to HK\$6,746.6 million (31st December 2015: HK\$6,572.5 million).

### Dividend

The directors have declared an interim dividend of HK10 cents (2015: HK10 cents) per ordinary share.

### Outlook

The worldwide economy changed drastically during the first half of 2016. The Brexit added uncertainties to the fragile Eurozone economies. Even though US can sustain a slight growth momentum, China may only undergo a stable economic growth.

These complicated and volatile global economic conditions affected Hong Kong deeply, especially the retail sector. The unstable local political situation further added to the slowing down of local economic growth.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy. We remain cautiously optimistic in our operation.

**William Ma Ching Wai**

*Chairman*

Hong Kong, 22nd August 2016

## Management Discussion and Analysis

### Business Review and Prospects

In Hong Kong, the gross rental income for the first half of 2016 was HK\$96.6 million, increased HK\$0.2 million or 0.2% as compared to the same period last year. The rental income from shops dropped significantly by HK\$3.5 million due to the sluggish demand of shops and the weakening retail business. The drop was however compensated by the growth in the rental contribution from Gateway ts and residential sectors.

The hotel room charge income of Hotel LBP for the first half of 2016 was HK\$7.28 million, a drop of HK\$0.37 million or 4.8% as compared to the same period last year. The occupancy rate for the first half of 2016 was stable at about 96% in average. The profit generated from the hotel operation for the first half of 2016 was HK\$0.06 million, a decrease of HK\$0.78 million or 92.9% as compared to the same period last year. The decrease was attributable to the drop in revenue and the increase in operating cost. The restaurant operating loss incurred by Gees for the first half of 2016 was HK\$0.97 million, as compared to the operating loss of HK\$1.3 million for the same period last year.

In the USA, the gross rental income from Montgomery Plaza was HK\$27.2 million for the first half of 2016, decreased by HK\$0.3 million or 1.1%, as compared to the same period last year. The office spaces occupancy rate of Montgomery Plaza was 93% as at the half year end of 2016.

### The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$70.4 million to HK\$1,034.4 million (as at 31st December 2015: HK\$964.0 million). The total equity increased by HK\$174.1 million to HK\$6,746.6 million (as at 31st December 2015: HK\$6,572.5 million) and the long term bank loans outstanding was HK\$744.4 million (as at 31st December 2015: HK\$662.0 million). The debt to equity ratio was 15.3% (as at 31st December 2015: 14.7%).

There are sufficient committed banking facilities available for the Group's current funding needs and future business requirements. The Group's financial position remains healthy. There are no exposure to foreign exchange risk as the bank borrowings are in either Hong Kong or US dollars and the repayment of principal and interest will be made by the respective lending currency.

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 that this policy will continue to be used to lower the operation cost and the current policy will not impose any liquidity risks.

## 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 US 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:

	<b>As at 30th June 2016 HK\$'000</b>	As at 31st December 2015 HK\$'000
– within one year	<b>143,543</b>	142,648
– in the second year	<b>177,940</b>	5,842
– in the third to fifth year	<b>422,880</b>	513,522
	<b><u>744,363</u></b>	<u>662,012</u>

The Group's total bank borrowings of HK\$1,034.4 million (at 31st December 2015: HK\$964.0 million) are secured by certain properties with an aggregate carrying amount of HK\$4,878.7 million (at 31st December 2015: HK\$4,722.8 million) and the rental income thereon.

### Details of number and remuneration of employees

As at 30th June 2016, the Group employed a total of 174 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 HK10 cents (2015: HK10 cents) per ordinary share, payable on 27th September 2016 to shareholders whose names standing on the register of members at the close of business on 9th September 2016 (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, 9th September 2016.

## Directors' and Chief Executive's Interests in Shares

At 30th June 2016, 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:

### Number of ordinary shares held

	Capacity		Total	Percentage
	Personal interest	Corporate interests		
		<i>(notes (a) &amp; (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	–	–	–	–
Yiu Kei Chung	–	–	–	–
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 total number of issued shares 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 total number of issued shares 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 2016, 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:

### Number of ordinary shares held

	Capacity		Total	Percentage
	Personal interest	Corporate interests		
		<i>(note)</i>		
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 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 2016 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 27.

By Order of the Board  
**William Ma Ching Wai**  
*Chairman*

Hong Kong, 22nd August 2016