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TAI SANG LAND DEVELOPMENT LIMITED

大生地產發展有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 89)

2016 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

For the six months ended 30th June 2016

- Revenue increased by 1.7% to HK\$138.9 million.
- Profit for the period decreased by 42.0% to HK\$195.1 million.
- Underlying profit decreased by 28.0% to HK\$29.6 million.

The board of directors of Tai Sang Land Development Limited (the “Company”) announced the unaudited Condensed Consolidated Interim Financial Information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2016 as follows:

**1. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH JUNE 2016 – UNAUDITED**

	<i>Note</i>	For the six months ended 30th June	
		2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	(2)	138,876	136,647
Cost of sales	(3)	(40,953)	(37,557)
Gross profit		97,923	99,090
Fair value gains on investment properties		173,882	307,203
Other gains, net	(4)	11	8,736
Administrative expenses	(3)	(49,887)	(47,237)
Other operating expenses	(3)	(4,389)	(4,794)
Operating profit		217,540	362,998
Finance income	(5)	18	13
Finance costs	(5)	(7,325)	(6,591)
Finance costs, net		(7,307)	(6,578)
Profit before income tax		210,233	356,420
Income tax expense	(6)	(15,123)	(19,956)
Profit for the period		195,110	336,464
Profit/(loss) attributable to:			
Owners of the Company		199,587	316,431
Non-controlling interests		(4,477)	20,033
		195,110	336,464
Earnings per share (basic and diluted)	(7)	HK\$0.69	HK\$1.10

**2. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2016 – UNAUDITED**

	For the six months ended 30th June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	195,110	336,464
Other comprehensive income		
<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)
Other comprehensive income for the period	(1,648)	(5,611)
Total comprehensive income for the period	193,462	330,853
Total comprehensive income attributable to:		
Owners of the Company	198,265	312,248
Non-controlling interests	(4,803)	18,605
	193,462	330,853

**3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016 – UNAUDITED**

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

		As at 30th June 2016 <i>HK\$'000</i>	As at 31st December 2015 <i>HK\$'000</i>
Non-current liabilities			
Long term bank loans – secured		600,820	519,364
Deferred income tax liabilities		305,116	275,501
		<u>905,936</u>	<u>794,865</u>
Current liabilities			
Rental and other deposits		59,745	62,609
Creditors and accruals	<i>(10)</i>	31,884	47,193
Current income tax liabilities		11,367	27,038
Short term bank loans – secured		290,000	302,000
Current portion of long term bank loans – secured		143,543	142,648
		<u>536,539</u>	<u>581,488</u>
Total equity and liabilities		<u>8,189,046</u>	<u>7,948,879</u>

Notes:

(1) Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2016 (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 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).

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

(2) Segment information

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.

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 2016			
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
Total segment revenues	<u>111,667</u>	<u>27,209</u>	<u>138,876</u>
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)
Profit for the period			<u>195,110</u>
Included in segment results:			
Finance income	3	15	18
Finance costs	(5,799)	(1,526)	(7,325)
Depreciation	(7,964)	(861)	(8,825)
Capital expenditure	<u>81,215</u>	<u>2,012</u>	<u>83,227</u>
At 30th June 2016			
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
Non-current assets (excluding available-for-sale financial assets)	7,169,081	794,612	7,963,693
Non-current available-for-sale financial assets	51,394	–	51,394
Current assets	138,206	35,753	173,959
Segment assets	<u>7,358,681</u>	<u>830,365</u>	<u>8,189,046</u>
Current liabilities	524,273	12,266	536,539
Non-current liabilities	568,843	337,093	905,936
Segment liabilities	<u>1,093,116</u>	<u>349,359</u>	<u>1,442,475</u>

	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
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
Capital expenditure	<u>86,594</u>	<u>551</u>	<u>87,145</u>
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
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Segment assets	<u>7,143,094</u>	<u>805,785</u>	<u>7,948,879</u>
Current liabilities	568,010	13,478	581,488
Non-current liabilities	483,331	311,534	794,865
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Segment liabilities	<u>1,051,341</u>	<u>325,012</u>	<u>1,376,353</u>

(3) Cost and expenses

	For the six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
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
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Total cost of sales, administrative and other operating expenses	95,229	89,588
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Note: The transaction was based on prices and terms as agreed by parties involved.

(4) Other gains, net

	For the six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
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
	<hr/>	<hr/>
	11	8,736
	<hr/> <hr/>	<hr/> <hr/>

(5) Finance income and costs

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

(6) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 (2015: 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 statement of profit or loss represents:

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

(7) 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.

(8) Dividend

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

(9) 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:

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

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.

(10) 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:

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

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.

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:

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

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 included in the interim report to be sent to shareholders.

By Order of the Board
William Ma Ching Wai
Chairman

Hong Kong, 22nd August 2016

Registrar and Transfer office

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

As at the date of this announcement, the Board comprised of nine directors, of which Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau and Mr. Philip Ma Ching Yeung are executive directors, Mr. Edward Cheung Wing Yui is non-executive director, and Mr. Kevin Chau Kwok Fun, Mr. Tan Soo Kiu and Mr. Yiu Kei Chung are independent non-executive directors.