



TAI SANG LAND DEVELOPMENT LIMITED

2017 INTERIM REPORT

Contents

	Page
Corporate Information	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Profit or Loss	5
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Cash Flows	7
Condensed Consolidated Statement of Changes in Equity	9
Notes to the Condensed Consolidated Interim Financial Information	10
Report on Review of Interim Financial Information	27
Chairman's Statement	28
Management Discussion and Analysis	29
Interim Dividend and Record Date	31
Directors' and Chief Executive's Interests in Shares	31
Substantial Shareholders	33
Purchase, Sale or Redemption of Shares	33
Corporate Governance	34
Independent Review	34

Corporate Information

Executive directors

William Ma Ching Wai
(Chairman and Chief Executive)
Patrick Ma Ching Hang, BBS, JP
(Deputy Chairman)
Alfred Ma Ching Kuen *(Managing Director)*
Amy Ma Ching Sau *(Managing Director)*
Philip Ma Ching Yeung

Non-executive director

Edward Cheung Wing Yui, BBS

Independent non-executive directors

Kevin Chau Kwok Fun
Tan Soo Kiu
Yiu Kei Chung

Audit Committee

Tan Soo Kiu *(Committee Chairman)*
Edward Cheung Wing Yui, BBS
Kevin Chau Kwok Fun
Yiu Kei Chung

Remuneration Committee

Tan Soo Kiu *(Committee Chairman)*
Amy Ma Ching Sau
Yiu Kei Chung

Nomination Committee

William Ma Ching Wai *(Committee Chairman)*
Kevin Chau Kwok Fun
Yiu Kei Chung

Bankers

The Bank of East Asia, Limited
Hang Seng Bank Limited
HSBC Realty Credit Corporation (USA)
The Hongkong and Shanghai Banking
Corporation Limited
Tai Sang Bank Limited

Solicitors

Woo, Kwan, Lee & Lo

Auditors

PricewaterhouseCoopers

Registered Office

11th Floor, Tai Sang Bank Building,
130-132 Des Voeux Road Central,
Hong Kong

Registrar and Transfer Office

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

Website Address

www.tsld.com
www.irasia.com/listco/hk/taisangland/index.htm

Condensed Consolidated Statement of Financial Position

As at 30th June 2017 – Unaudited

	<i>Note</i>	As at 30th June 2017 <i>HK\$'000</i>	As at 31st December 2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	6	1,373,622	1,339,535
Investment properties	6	7,126,695	6,918,146
Available-for-sale financial assets		35,314	51,374
Prepayments		10,610	10,868
		8,546,241	8,319,923
Current assets			
Properties for sale		101,740	101,740
Inventory		34	31
Debtors and prepayments	7	19,723	18,550
Current income tax recoverable		16	124
Cash and cash equivalents		48,043	72,382
		169,556	192,827
Total assets		8,715,797	8,512,750
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	8	417,321	417,321
Reserves		6,376,942	6,289,203
		6,794,263	6,706,524
Non-controlling interests		206,843	199,383
Total equity		7,001,106	6,905,907
Non-current liabilities			
Long term bank loans – secured	9	851,141	942,421
Deferred income tax liabilities	10	314,043	326,183
		1,165,184	1,268,604

Condensed Consolidated Statement of Financial Position (Continued)

As at 30th June 2017 – Unaudited

	<i>Note</i>	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
Current liabilities			
Rental and other deposits		73,176	74,711
Creditors and accruals	11	60,853	66,284
Current income tax liabilities		2,663	1,402
Short term bank loans – secured	12	305,000	176,000
Bank overdrafts – secured	12	89	–
Current portion of long term bank loans – secured	9	107,726	19,842
		549,507	338,239
Total equity and liabilities		8,715,797	8,512,750

The notes from pages 10 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 2017 – Unaudited

		For the six months ended 30th June	
	<i>Note</i>	2017	2016
		HK\$'000	HK\$'000
Revenues	5	133,005	138,876
Cost of sales	13	(43,267)	(40,953)
Gross profit		89,738	97,923
Fair value gains on investment properties	6	78,301	173,882
Other gains, net	14	8,199	11
Administrative expenses	13	(52,916)	(49,887)
Other operating expenses	13	(3,307)	(4,389)
Operating profit		120,015	217,540
Finance income	15	36	18
Finance costs	15	(11,734)	(7,325)
Finance costs, net		(11,698)	(7,307)
Profit before income tax		108,317	210,233
Income tax credit/(expense)	16	9,863	(15,123)
Profit for the period		118,180	195,110
Profit/(loss) attributable to:			
Owners of the Company		108,142	199,587
Non-controlling interests		10,038	(4,477)
		118,180	195,110
Earnings per share (basic and diluted)	17	HK\$0.38	HK\$0.69

The notes from pages 10 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 2017 – Unaudited

	For the six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	118,180	195,110
Other comprehensive income		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Net fair value gain/(loss) on available-for-sale financial assets	2,069	(1,686)
Recycle to profit or loss upon disposal of available-for-sale financial assets	(4,773)	38
Other comprehensive income for the period	(2,704)	(1,648)
Total comprehensive income for the period	115,476	193,462
Total comprehensive income attributable to:		
Owners of the Company	104,999	198,265
Non-controlling interests	10,477	(4,803)
	115,476	193,462

The notes from pages 10 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 2017 – Unaudited

	For the six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Net cash generated from operations	34,977	47,202
Hong Kong profits tax paid	(930)	(881)
Hong Kong profits tax refunded	35	–
Overseas taxation paid	(13)	(13)
	34,069	46,308
Net cash generated from operating activities	34,069	46,308
Cash flows from investing activities		
Additions of property, plant and equipment and prepayments	(40,529)	(22,000)
Additions of investment properties and prepayments	(126,191)	(66,487)
Proceeds on disposal of available-for-sale financial assets	18,127	1
Proceeds on disposal of property, plant and equipment	1,064	115
Interest received	36	18
Dividends received	3,484	996
	(144,009)	(87,357)
Net cash used in investing activities	(144,009)	(87,357)
Cash flows from financing activities		
Interest paid	(18,290)	(13,481)
Draw down of bank loans	129,000	156,200
Repayments of bank loans	(4,921)	(87,921)
Dividends paid to shareholders	(17,260)	(17,260)
Dividends paid to non-controlling shareholders of subsidiaries	(3,017)	(2,157)
	85,512	35,381
Net cash generated from financing activities	85,512	35,381

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30th June 2017 – Unaudited

	For the six months ended 30th June	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net decrease in cash and cash equivalents	(24,428)	(5,668)
Cash and cash equivalents at 1st January	72,382	57,501
Cash and cash equivalents at 30th June	47,954	51,833
Cash and cash equivalents comprises:		
Bank balances and cash and restricted bank deposits	48,043	51,833
Bank overdrafts	(89)	–
Cash and cash equivalents	47,954	51,833

The notes from pages 10 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 2017 – Unaudited

	Attributable to owners of the Company					Total reserves HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000			
At 1st January 2017	417,321	549,850	16,160	7,234	5,715,959	6,289,203	199,383	6,905,907
Comprehensive income								
Profit for the period	-	-	-	-	108,142	108,142	10,038	118,180
Other comprehensive income								
Net fair value gain on available-for-sales financial assets	-	-	1,630	-	-	1,630	439	2,069
Recycle to profit or loss upon disposal of available-for-sales financial assets	-	-	(4,773)	-	-	(4,773)	-	(4,773)
Total comprehensive income for the period	-	-	(3,143)	-	108,142	104,999	10,477	115,476
Transaction with owners								
- dividend paid	-	-	-	-	(17,260)	(17,260)	(3,017)	(20,277)
At 30th June 2017	<u>417,321</u>	<u>549,850</u>	<u>13,017</u>	<u>7,234</u>	<u>5,806,841</u>	<u>6,376,942</u>	<u>206,843</u>	<u>7,001,106</u>
At 1st January 2016	417,321	549,850	15,437	7,249	5,388,379	5,960,915	194,290	6,572,526
Comprehensive income								
Profit for the period	-	-	-	-	199,587	199,587	(4,477)	195,110
Other comprehensive income								
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-sale financial assets	-	-	38	-	-	38	-	38
Total comprehensive income for the period	-	-	(1,322)	-	199,587	198,265	(4,803)	193,462
Transaction with owners								
- dividend paid	-	-	-	-	(17,260)	(17,260)	(2,157)	(19,417)
At 30th June 2016	<u>417,321</u>	<u>549,850</u>	<u>14,115</u>	<u>7,249</u>	<u>5,570,706</u>	<u>6,141,920</u>	<u>187,330</u>	<u>6,746,571</u>

The notes from pages 10 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 catering 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 2017 (the “Condensed Consolidated Interim Financial Information”) is presented in Hong Kong dollar (“HK\$”), unless otherwise stated, was approved by the board of directors on 23rd August 2017.

The financial information relating to the year ended 31st December 2016 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 2016 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\$379,951,000 as at 30th June 2017. The current liability mainly included short term bank loans of HK\$305,000,000 and current portion of long term bank loans of HK\$107,726,000. 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 2016 (the "2016 Annual Report"). The Condensed Consolidated Interim Financial Information should be read in conjunction with the 2016 Annual Report, which has been prepared in accordance with the Hong Kong Financial Reporting Standards.

The following amendments to standards are relevant to the Group for the accounting period beginning on or after 1st January 2017. The adoption of these amendments to standards did not result in a substantial impact to the results and financial position of the Group.

HKAS 7 (Amendment)	Statement of Cash Flows – Disclosure
HKAS 12 (Amendment)	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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 2016 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 2017 and 31st December 2016:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
At 30th June 2017			
Available-for-sale financial assets	<u>24,314</u>	<u>–</u>	<u>11,000</u>
At 31st December 2016			
Available-for-sale financial assets	<u>40,374</u>	<u>–</u>	<u>11,000</u>

For the six months ended 30th June 2017, 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 2017, 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 2017, 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 2016 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:

	For the six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues		
Property rental		
– investment properties	104,729	109,767
– properties for sale	13,455	14,073
Property related services	6,325	6,970
Hotel operations	7,449	7,276
Catering operations	1,047	790
	133,005	138,876
	133,005	138,876

Property rental and property related services revenue above included amounts of HK\$869,000 (2016: HK\$1,101,000) and HK\$254,000 (2016: HK\$191,000) 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 2017 HK\$'000	As at 31st December 2016 HK\$'000
Not later than one year	208,665	199,578
Later than one year but not later than five years	346,567	355,811
Later than five years	300,597	327,972
	855,829	883,361
	855,829	883,361

(c) Operating segments

The chief operating decision-maker has been identified as the executive directors of the Company that make strategic decision. 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 (net of deferred income tax), 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)

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30th June 2017			
Segment revenues			
Property rental	91,200	26,984	118,184
Property related services	6,325	–	6,325
Hotel operations	7,449	–	7,449
Catering operations	1,047	–	1,047
	106,021	26,984	133,005
Total segment revenues	106,021	26,984	133,005
Segment results – underlying profit			
– Property rental and related services	20,629	5,669	26,298
– Hotel operations	419	–	419
– Catering operations	(2,377)	–	(2,377)
Fair value gains/(loss) on investment properties	120,474	(42,173)	78,301
Deferred income tax	–	15,539	15,539
	139,145	(20,965)	118,180
Profit/(loss) for the period	139,145	(20,965)	118,180
Included in segment results:			
Finance income	4	32	36
Finance costs	(9,953)	(1,781)	(11,734)
Income tax expense (note)	(5,663)	(13)	(5,676)
Depreciation	(7,175)	(1,127)	(8,302)
	156,938	16,940	173,878
Capital expenditure	156,938	16,940	173,878

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 2017			
Property, plant and equipment	1,357,781	15,841	1,373,622
Investment properties	6,353,450	773,245	7,126,695
Non-current prepayments	7,540	3,070	10,610
	7,718,771	792,156	8,510,927
Non-current assets (excluding available-for-sale financial assets)			
Non-current available-for-sale financial assets	35,314	–	35,314
Current assets	137,832	31,724	169,556
	7,891,917	823,880	8,715,797
Segment assets	7,891,917	823,880	8,715,797
Current liabilities	535,837	13,670	549,507
Non-current liabilities	831,666	333,518	1,165,184
	1,367,503	347,188	1,714,691
Segment liabilities	1,367,503	347,188	1,714,691

Note: The amount excludes net deferred income tax of North America segment.

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 2016			
Segment revenues			
Property rental	96,631	27,209	123,840
Property related services	6,970	–	6,970
Hotel operations	7,276	–	7,276
Catering operations	790	–	790
	<u>111,667</u>	<u>27,209</u>	<u>138,876</u>
Total segment revenues			
Segment results – underlying profit			
– Property rental and related services	22,761	7,755	30,516
– Hotel operations	59	–	59
– Catering operations	(966)	–	(966)
Fair value gains on investment properties	154,966	18,916	173,882
Deferred income tax	–	(8,381)	(8,381)
	<u>177,686</u>	<u>26,390</u>	<u>204,076</u>
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)
	<u>(13,760)</u>	<u>(1,372)</u>	<u>(15,132)</u>
Capital expenditure	<u>81,215</u>	<u>2,012</u>	<u>83,227</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 2016			
Property, plant and equipment	1,326,085	13,450	1,339,535
Investment properties	6,116,150	801,996	6,918,146
Non-current prepayments	9,208	1,660	10,868
Non-current assets (excluding available-for-sale financial assets)	7,451,443	817,106	8,268,549
Non-current available-for-sale financial assets	51,374	–	51,374
Current assets	151,433	41,394	192,827
Segment assets	7,654,250	858,500	8,512,750
Current liabilities	327,200	11,039	338,239
Non-current liabilities	918,801	349,803	1,268,604
Segment liabilities	1,246,001	360,842	1,606,843

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Capital expenditure

	Property, plant and equipment	Investment properties	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Net book value or valuation			
At 1st January 2017	1,339,535	6,918,146	8,257,681
Additions	43,630	130,248	173,878
Depreciation	(8,302)	–	(8,302)
Disposals and write-off	(1,241)	–	(1,241)
Fair value gains	–	78,301	78,301
	1,373,622	7,126,695	8,500,317
Net book value or valuation			
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
	1,335,150	6,613,156	7,948,306
Additions	14,653	122,703	137,356
Depreciation	(9,175)	–	(9,175)
Disposals and write-off	(1,093)	–	(1,093)
Fair value gains	–	182,287	182,287
	1,339,535	6,918,146	8,257,681

- (a) The valuations of the investment properties at 30th June 2017 and 31st December 2016 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.

6 Capital expenditure (Continued)

For completed properties, the income capitalisation method and direct comparison method were used. For income capitalisation method, the valuers apply assumptions for capitalisation rates and market rents, which are influenced by the prevailing market yields and comparable market transactions, as well as discount rate, to arrive at the final valuation. For direct comparison method, the valuers apply assumption for the current prices in an active market, which are influenced by the different nature, condition or location, to arrive at the final valuation.

For properties under development, the residual method is used, whereby the valuation is derived from the gross development value of the project upon completion (estimated using a direct comparison method) less estimated development costs and allowance for developer's profit.

There were no changes to the valuation techniques during the period.

- (b) The Group's property, plant and equipment and investment property included additions of HK\$6,186,000 (2016: HK\$6,566,000) and HK\$1,223,000 (2016: HK\$985,000) respectively (note 15) being interest expenses capitalised for the development projects and improvement works of investment property respectively.

7 Debtors and prepayments

Included in debtors and prepayments are trade debtors of HK\$250,000 (at 31st December 2016: HK\$499,000) and their ageing analysis is as follows:

	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
0-30 days	247	466
31-60 days	–	33
Over 90 days	3	–
	<u>250</u>	<u>499</u>

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8 Share capital

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital HK\$'000
At 1st January 2017, 30th June 2017 and 31st December 2016	287,670	417,321

9 Long term bank loans – secured

	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
Bank loans	958,867	962,263
Amount due within one year included under current liabilities	(107,726)	(19,842)
	851,141	942,421
The maturity of the Group's long term bank loans is as follows:		
– within one year	107,726	19,842
– in the second year	405,301	496,278
– in the third to fifth year	445,840	446,143
	958,867	962,263

The Group's long term bank loans together with certain short term bank loans and bank overdrafts (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\$5,290,296,000 (at 31st December 2016: HK\$5,107,206,000) and the rental income thereon.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

10 Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

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

	For the six months ended 30th June		For the year ended 31st December
	2017	2016	2016
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the period/year (Credited)/charged to profit or loss	326,183 (12,140)	275,501 29,615	275,501 50,682
At the end of the period/year	314,043	305,116	326,183

11 Creditors and accruals

Included in creditors and accruals are trade creditors of HK\$5,843,000 (at 31st December 2016: HK\$28,795,000) and their ageing analysis is as follows:

	As at 30th June 2017	As at 31st December 2016
	HK\$'000	HK\$'000
0-30 days	5,241	28,776
31-60 days	190	16
61-90 days	7	–
Over 90 days	405	3
	5,843	28,795

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12 Short term bank loans and bank overdrafts – secured

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

13 Cost and expenses

	For the six months ended 30th June	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Depreciation	8,302	8,825
Outgoings in respect of		
– investment properties	22,238	21,235
– properties for sale	3,757	4,098
– property related services	6,478	6,029
– property, plant and equipment	981	1,300
– hotel operations	5,280	5,475
– catering operations	3,406	1,675
Operating lease rental for office premises to a related company (<i>note</i>)	1,559	2,184
Employee benefit expense	33,411	30,471
Others	14,078	13,937
	99,490	95,229
Total cost of sales, administrative and other operating expenses	99,490	95,229

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14 Other gains, net

	For the six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from available-for-sale financial assets	3,484	996
Gain/(loss) on disposal of available-for-sale financial assets	4,773	(57)
Loss on disposal of plant and equipment, net	(58)	(928)
	8,199	11
	8,199	11

15 Finance income and costs

	For the six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from banks	36	18
Finance costs		
Interest expenses on bank loans and overdrafts	(19,143)	(14,876)
Less: Amount capitalised in property, plant and equipment and investment property (note 6(b))	7,409	7,551
	(11,734)	(7,325)
	(11,734)	(7,325)
Finance costs, net	(11,698)	(7,307)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 (2016: HK\$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the period.

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

	For the six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Income tax credit/(expense)	<u>9,863</u>	<u>(15,123)</u>

17 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$108,142,000 (2016: HK\$199,587,000) and on 287,670,000 (2016: 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 2017 and 2016, the diluted earnings per share is equal to the basic earnings per share.

18 Dividend

	For the six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Interim, declared, of HK8 cents (2016: HK10 cents) per ordinary share	<u>23,014</u>	<u>28,767</u>

At a meeting held on 23rd August 2017, the directors declared an interim dividend of HK8 cents per ordinary share for the year ending 31st December 2017. 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 2017.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19 Commitments

(a) Capital commitments

	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
Contracted but not provided for		
– investment properties	251,245	234,070
– investment properties under development	5,998	6,496
– property, plant and equipment	30	894
– property under development	514,065	538,074
	771,338	779,534
	771,338	779,534

(b) Commitments under operating leases

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

	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
Land and buildings		
– not later than one year	3,960	800
– later than one year but not later than five years	2,805	–
	6,765	800
	6,765	800

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 3 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 2017 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, 23rd August 2017

Chairman's Statement

Result

I am pleased to report that the Group's consolidated profit for the first half of 2017 was HK\$118.2 million, a decrease of 39.4% as compared to consolidated profit for the same period last year of HK\$195.1 million. Earnings per share for the first half of 2017 were HK\$0.38 (2016: HK\$0.69) a decrease of 44.9% over the same period last year. The consolidated profit for the first half of 2017 included fair value gains on investment properties (net of deferred income tax) of HK\$93.8 million, as compared to fair value gains on investment properties (net of deferred income tax) of HK\$165.5 million for the same period last year.

The Group's underlying profit for the first half of 2017, excluding fair value gains on investment properties (net of deferred income tax), was approximately HK\$24.4 million, decreased by HK\$5.2 million or 17.6% as compared to the corresponding figure of HK\$29.6 million for the same period of 2016. The decrease in the underlying profit was attributable to the drop of rental income and the increase in the operating cost.

The revenues of the Group for the first half of 2017 was HK\$133.0 million, representing a decrease of HK\$5.9 million or 4.2% as compared with HK\$138.9 million for the same period last year.

At 30th June 2017, the valuation of investment properties of the Group was HK\$7,126.7 million (at 31st December 2016: HK\$6,918.1 million). Total equity amounted to HK\$7,001.1 million (at 31st December 2016: HK\$6,905.9 million).

Dividend

The directors have declared an interim dividend of HK8 cents (2016: HK10 cents) per ordinary share.

Outlook

Despite the continuous threats of global interest rate increases and impending conflicts over the South China Seas Region, the economy overall has reacted modestly. The local retail business has established and rents achieved have steadily recovered. This stable condition may however be turned around if any international or local political conflicts arises.

On the residential sector, prices of new premises continue to reach new high although the second-hand market shows sluggishness with not encouraging transaction volume. It is also noted that rental rates have fallen behind the increase of prices.

Hopefully, Hong Kong can benefit from China's One Belt and One Road policy with boosting trade, capital and services between China (and in turn Hong Kong) and more than 65 countries from Asia to Europe.

We are confident that our performance will pick up in the latter part of the year.

William Ma Ching Wai

Chairman

Hong Kong, 23rd August 2017

Management Discussion and Analysis

Business review and prospects

In Hong Kong, the gross rental income for the first half of 2017 was HK\$91.2 million, decreased HK\$5.4 million or 5.6% as compared to the same period last year. The rental income from Gateway is decreased by HK\$3.0 million due to certain units were vacated under a leasing arrangement and the rental income from shops also decreased due to the weak retail market.

The hotel room charge income of Hotel LBP for the first half of 2017 was HK\$7.45 million, an increase of HK\$0.17 million or 2.3% as compared to the same period last year. The occupancy rate for the first half of 2017 was stable at about 96% in average. The profit generated from the hotel operation for the first half of 2017 was HK\$0.4 million, an increase of HK\$0.34 million as compared to the same period last year. The increase was attributable to the increase in revenue and the decrease in operating cost. The catering operating loss for the first half of 2017 was HK\$2.38 million, as compared to the operating loss of HK\$0.97 million for the same period last year. There was an increase in catering operating cost due to the new factory canteen startup.

In the USA, the gross rental income from Montgomery Plaza was HK\$27.0 million for the first half of 2017, decreased by HK\$0.2 million or 0.7%, as compared to the same period last year. The office spaces occupancy rate of Montgomery Plaza was 91% as at the half year end of 2017.

The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$125.7 million to HK\$1,264.0 million (at 31st December 2016: HK\$1,138.3 million). The total equity increased by HK\$95.2 million to HK\$7,001.1 million (at 31st December 2016: HK\$6,905.9 million) and the long term bank loans outstanding was HK\$958.9 million (at 31st December 2016: HK\$962.3 million). The debt to equity ratio was 18.1% (at 31st December 2016: 16.5%).

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 operating 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:

	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
– within one year	107,726	19,842
– in the second year	405,301	496,278
– in the third to fifth year	445,840	446,143
	958,867	962,263

The Group's certain bank borrowings of HK\$1,164.0 million (at 31st December 2016: HK\$1,088.3 million) are secured by certain properties with an aggregate carrying amount of HK\$5,290.3 million (at 31st December 2016: HK\$5,107.2 million) and the rental income thereon.

Details of number and remuneration of employees

As at 30th June 2017, the Group employed a total of 184 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 (2016: HK10 cents) per ordinary share, payable on 26th September 2017 to shareholders whose names standing on the register of members at the close of business on 8th September 2017 (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, 8th September 2017.

Directors’ and Chief Executive’s Interests in Shares

At 30th June 2017, 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 Part XV of the Securities and Futures Ordinance (“SFO”) or as notified to the Company were as follows:

Number of ordinary shares held at 30th June 2017

	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	–	–	–	–
Yiu Kei Chung	–	–	–	–

* Mr. William Ma Ching Wai was appointed the Chief Executive of the Company on 15th June 2017, upon the retirement of Mr. 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 2017, 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 Part XV of the SFO or as notified to the Company were as follows:

Number of ordinary shares held at 30th June 2017

	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%

All interests stated above represent long positions.

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 (“CG 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, except the following:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. William Ma Ching Wai, the Chairman of the Board of Directors (“the Chairman”) was appointed the Chief Executive of the Company on 15th June 2017, since then Mr. William Ma holds both positions as the Chairman and Chief Executive of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person will enable the Company to have a stable and consistent leadership and also facilitate the planning and execution of the Company’s strategy and is hence for the interest of the Company and its shareholders.

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 2017 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, 23rd August 2017