



TAI SANG LAND DEVELOPMENT LIMITED

大生地產發展有限公司

(Stock code: 89)

2019 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	8
Notes to the Condensed Consolidated Interim Financial Information	9
Report on Review of Interim Financial Information	29
Chairman's Statement	30
Management Discussion and Analysis	31
Interim Dividend and Record Date	33
Directors' and Chief Executive's Interests in Shares	33
Substantial Shareholders	35
Purchase, Sale or Redemption of Shares	35
Corporate Governance	36
Independent Review	36

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
Nanyang Commercial Bank, Limited
Tai Sang Bank Limited

Solicitors

Woo, Kwan, Lee & Lo

Auditor

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
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Website Address

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

Condensed Consolidated Statement of Financial Position

As at 30th June 2019 – Unaudited

	<i>Note</i>	As at 30th June 2019 <i>HK\$'000</i>	As at 31st December 2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	6	1,818,963	1,693,970
Investment properties	6	8,350,532	8,158,136
Financial assets at fair value through other comprehensive income		27,236	29,583
		10,196,731	9,881,689
Current assets			
Properties for sale		109,596	109,596
Debtors and prepayments	7	47,017	45,327
Current income tax recoverable		168	94
Cash and cash equivalents		69,379	61,936
		226,160	216,953
Total assets		10,422,891	10,098,642
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	8	417,321	417,321
Reserves		7,336,183	7,185,291
		7,753,504	7,602,612
Non-controlling interests		232,322	225,209
Total equity		7,985,826	7,827,821
Non-current liabilities			
Long term bank loans – secured	9	683,085	492,007
Deferred income tax liabilities	10	320,903	298,890
		1,003,988	790,897

Condensed Consolidated Statement of Financial Position (Continued)

As at 30th June 2019 – Unaudited

	<i>Note</i>	As at 30th June 2019 HK\$'000	As at 31st December 2018 HK\$'000
Current liabilities			
Rental and other deposits		88,335	85,902
Creditors and accruals	11	28,405	35,744
Current income tax liabilities		2,625	1,251
Short term bank loans	12	225,000	381,991
Current portion of long term bank loans – secured	9	1,081,566	967,348
Bank overdrafts	12	7,146	7,688
		1,433,077	1,479,924
		1,433,077	1,479,924
Total equity and liabilities		10,422,891	10,098,642

The notes from pages 9 to 28 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 2019 – Unaudited

		For the six months ended 30th June	
	<i>Note</i>	2019	2018
		HK\$'000	HK\$'000
Revenues	5(a)	184,602	166,169
Cost of sales	13	(43,661)	(47,605)
Gross profit		140,941	118,564
Fair value gains on investment properties	6	162,111	434,067
Other gains, net	14	432	3,151
Administrative expenses	13	(58,817)	(55,548)
Other operating expenses	13	(2,572)	(7,033)
Operating profit		242,095	493,201
Finance income	15	352	91
Finance costs	15	(21,300)	(16,521)
Finance costs, net		(20,948)	(16,430)
Profit before income tax		221,147	476,771
Income tax expense	16	(24,270)	(17,808)
Profit for the period		196,877	458,963
Profit attributable to:			
Owners of the Company		188,054	442,450
Non-controlling interests		8,823	16,513
		196,877	458,963
Earnings per share (basic and diluted)	17	HK\$0.65	HK\$1.54

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2019 – Unaudited

	For the six months ended 30th June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	196,877	458,963
Other comprehensive income		
<u>Item that will not be reclassified to profit or loss</u>		
Changes in the fair value of financial assets at fair value through other comprehensive income	(2,347)	(3,655)
Other comprehensive income for the period	(2,347)	(3,655)
Total comprehensive income for the period	194,530	455,308
Total comprehensive income attributable to:		
Owners of the Company	185,412	440,459
Non-controlling interests	9,118	14,849
	194,530	455,308

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2019 – Unaudited

	For the six months ended 30th June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Net cash generated from operations	86,530	57,175
Hong Kong profits tax paid	(944)	(1,124)
Overseas taxation paid	(13)	(13)
	85,573	56,038
Net cash generated from operating activities	85,573	56,038
Cash flows from investing activities		
Additions of property, plant and equipment	(117,225)	(85,182)
Additions of investment properties	(34,639)	(73,427)
Proceeds on disposal of financial assets at fair value through other comprehensive income	–	12
Proceeds on disposal of property, plant and equipment	402	25
Interest received	352	91
Dividends received	682	3,169
	(150,428)	(155,312)
Net cash used in investing activities	(150,428)	(155,312)
Cash flows from financing activities		
Interest paid	(38,014)	(27,590)
Drawn down of bank loans	543,300	298,800
Repayments of bank loans	(395,921)	(145,921)
Dividends paid to shareholders	(34,520)	(23,014)
Dividends paid to non-controlling shareholders of subsidiaries	(2,005)	(1,738)
	72,840	100,537
Net cash generated from financing activities	72,840	100,537
Net increase in cash and cash equivalents	7,985	1,263
Cash and cash equivalents at 1st January	54,248	51,510
Cash and cash equivalents at 30th June	62,233	52,773
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	69,379	52,773
Bank overdrafts	(7,146)	–
	62,233	52,773

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2019 – Unaudited

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total reserves	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2019	417,321	549,850	(18,538)	7,232	6,646,747	7,185,291	225,209	7,827,821	
Comprehensive income									
Profit for the period	-	-	-	-	188,054	188,054	8,823	196,877	
Other comprehensive income									
Net fair value loss on financial assets at fair value through other comprehensive income	-	-	(2,642)	-	-	(2,642)	295	(2,347)	
Total comprehensive income for the period	-	-	(2,642)	-	188,054	185,412	9,118	194,530	
Transaction with owners									
Dividend paid	-	-	-	-	(34,520)	(34,520)	(2,005)	(36,525)	
At 30th June 2019	<u>417,321</u>	<u>549,850</u>	<u>(21,180)</u>	<u>7,232</u>	<u>6,800,281</u>	<u>7,336,183</u>	<u>232,322</u>	<u>7,985,826</u>	
At 1st January 2018	417,321	549,850	12,731	7,232	6,177,740	6,747,553	211,013	7,375,887	
Adoption of HKFRS 9	-	-	(28,001)	-	28,001	-	-	-	
Restated total equity at 1st January 2018	<u>417,321</u>	<u>549,850</u>	<u>(15,270)</u>	<u>7,232</u>	<u>6,205,741</u>	<u>6,747,553</u>	<u>211,013</u>	<u>7,375,887</u>	
Comprehensive income									
Profit for the period	-	-	-	-	442,450	442,450	16,513	458,963	
Other comprehensive income									
Net fair value loss on financial assets at fair value through other comprehensive income	-	-	(1,991)	-	-	(1,991)	(1,664)	(3,655)	
Transfer of loss on disposal of equity investment at fair value through other comprehensive income to retained profits	-	-	16	-	(16)	-	-	-	
Total comprehensive income for the period	-	-	(1,975)	-	442,434	440,459	14,849	455,308	
Transaction with owners									
Dividend paid	-	-	-	-	(23,014)	(23,014)	(1,738)	(24,752)	
At 30th June 2018	<u>417,321</u>	<u>549,850</u>	<u>(17,245)</u>	<u>7,232</u>	<u>6,625,161</u>	<u>7,164,998</u>	<u>224,124</u>	<u>7,806,443</u>	

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

1 General information

Tai Sang Land Development Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in property investment, property rental, property development, estate management and agency and hotel 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 2019 (the “Condensed Consolidated Interim Financial Information”) was approved by the board of directors on 23rd August 2019. The Condensed Consolidated Interim Financial Information is presented in Hong Kong dollar (HK\$), unless otherwise stated.

The financial information relating to the year ended 31st December 2018 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 2018 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 407(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 financial assets at fair value through other comprehensive income at fair value, and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group had net current liabilities of HK\$1,206,917,000 as at 30th June 2019. The current liabilities mainly included short term bank loans of HK\$225,000,000 and current portion of long term bank loans of HK\$1,081,566,000. 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 2018 (the “2018 Annual Report”). The Condensed Consolidated Interim Financial Information should be read in conjunction with the 2018 Annual Report, which has been prepared in accordance with the Hong Kong Financial Reporting Standards.

The following new standards and amendments to standards are relevant to the Group for the accounting period beginning on 1st January 2019:

Annual Improvements Project	Annual Improvements 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The adoption of these new and amended standards did not result in a substantial impact to the results and financial position of the Group.

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 2018 Annual Report.

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

(b) Fair value estimation

Financial instruments that are measured in the condensed consolidated 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 2019 and 31st December 2018.

	Level 1	Level 2	Level 3
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through other comprehensive income			
At 30th June 2019	20,236	–	7,000
At 31st December 2018	19,583	–	10,000

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

For the six months ended 30th June 2019, 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 2019, other than the impact as disclosed in note 3(c), there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the six months ended 30th June 2019:

	Unlisted equity securities <i>(note)</i> HK\$'000
At 31st December 2018	10,000
Losses recognised in other comprehensive income	(3,000)

At 30th June 2019	7,000

Note: Unlisted equity securities were denominated in Hong Kong dollar, represented approximately 12% equity interests each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited and Yangtze China Investment Limited. The underlying investments of these entities mainly comprise of equity investments in companies which engaged in Chinese medical products and environmental friendly product in China, and a provider of expansion capital to China-based enterprises. The fair value of the investments was determined based on the net asset values applied at discounting factors ranging from 30% to 66% (2018: 30% to 55%). Management determined the discounting factors based on their experience in the industry and expectations on market development. The higher the discounting factor, the lower will be the fair value of the investments.

4 Critical accounting estimates and judgments

Estimates and judgments used in preparing the Condensed Consolidated Interim Financial Information 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 2018 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	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenues from external customers		
Property rental		
– investment properties	153,114	134,673
– properties for sale	12,379	13,441
Property related services	11,287	10,506
Hotel operations	7,822	7,549
	184,602	166,169
	184,602	166,169

The Group's revenue from property related services and hotel operations are recognised over-time as the services are performed.

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 2019 HK\$'000	As at 31st December 2018 HK\$'000
Not later than one year	285,959	298,787
Later than one year but not later than five years	549,141	588,769
Later than five years	233,497	247,568
	1,068,597	1,135,124

(c) Operating segments

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The CODM 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 CODM considers the business from a geographic perspective and has identified the operating segments of the Group in Hong Kong and North America.

The CODM 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 in the United States), 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 2019			
Segment revenues			
Property rental	129,229	36,264	165,493
Property related services	11,287	–	11,287
Hotel operations	7,822	–	7,822
	<u>148,338</u>	<u>36,264</u>	<u>184,602</u>
Total segment revenues	<u>148,338</u>	<u>36,264</u>	<u>184,602</u>
Segment results – underlying profit			
– Property rental and related services	36,725	11,768	48,493
– Hotel operations	846	–	846
Fair value gains on investment properties	121,845	40,266	162,111
Deferred income tax, net	–	(14,573)	(14,573)
	<u>159,416</u>	<u>37,461</u>	<u>196,877</u>
Profit for the period	<u>159,416</u>	<u>37,461</u>	<u>196,877</u>
Included in segment results:			
Finance income	155	197	352
Finance costs	(18,583)	(2,717)	(21,300)
Income tax expense (<i>note</i>)	(9,684)	(13)	(9,697)
Depreciation	(6,987)	(1,784)	(8,771)
	<u>156,646</u>	<u>8,055</u>	<u>164,701</u>
Capital expenditure	<u>156,646</u>	<u>8,055</u>	<u>164,701</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Revenues and segment information (Continued)

(c) Operating segments (Continued)

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30th June 2019			
Property, plant and equipment	1,801,787	17,176	1,818,963
Investment properties	7,389,650	960,882	8,350,532
Non-current assets (excluding financial assets at fair value through other comprehensive income)	9,191,437	978,058	10,169,495
Non-current financial assets at fair value through other comprehensive income	27,236	–	27,236
Current assets	176,556	49,604	226,160
Segment assets	9,395,229	1,027,662	10,422,891
Current liabilities	1,413,074	20,003	1,433,077
Non-current liabilities	689,259	314,729	1,003,988
Segment liabilities	2,102,333	334,732	2,437,065

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 2018			
Segment revenues			
Property rental	116,432	31,682	148,114
Property related services	10,506	–	10,506
Hotel operations	7,549	–	7,549
	<u>134,487</u>	<u>31,682</u>	<u>166,169</u>
Total segment revenues	<u>134,487</u>	<u>31,682</u>	<u>166,169</u>
Segment results – underlying profit			
– Property rental and related services	24,437	10,010	34,447
– Hotel operations	729	–	729
Fair value gains on investment properties	408,335	25,732	434,067
Deferred income tax, net	–	(10,280)	(10,280)
	<u>433,501</u>	<u>25,462</u>	<u>458,963</u>
Profit for the period	<u>433,501</u>	<u>25,462</u>	<u>458,963</u>
Included in segment results:			
Finance income	7	84	91
Finance costs	(14,212)	(2,309)	(16,521)
Income tax expense (<i>note</i>)	(7,515)	(13)	(7,528)
Depreciation	(7,439)	(1,584)	(9,023)
	<u>(28,159)</u>	<u>(3,819)</u>	<u>(32,000)</u>
Capital expenditure	<u>187,783</u>	<u>4,219</u>	<u>192,002</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 2018			
Property, plant and equipment	1,677,935	16,035	1,693,970
Investment properties	7,242,650	915,486	8,158,136
Non-current assets (excluding financial assets at fair value through other comprehensive income)	8,920,585	931,521	9,852,106
Non-current financial assets at fair value through other comprehensive income	29,583	–	29,583
Current assets	174,666	42,287	216,953
Segment assets	9,124,834	973,808	10,098,642
Current liabilities	1,462,604	17,320	1,479,924
Non-current liabilities	489,879	301,018	790,897
Segment liabilities	1,952,483	318,338	2,270,821

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value or valuation			
At 1st January 2019	1,693,970	8,158,136	9,852,106
Additions	134,416	30,285	164,701
Depreciation	(8,771)	–	(8,771)
Disposals and write-off	(652)	–	(652)
Fair value gains	–	162,111	162,111
	1,818,963	8,350,532	10,169,495
At 1st January 2018	1,429,097	7,566,706	8,995,803
Additions	123,261	68,741	192,002
Depreciation	(9,023)	–	(9,023)
Disposals and write-off	(43)	–	(43)
Fair value gains	–	434,067	434,067
	1,543,292	8,069,514	9,612,806
Additions	166,202	56,436	222,638
Depreciation	(8,997)	–	(8,997)
Disposals and write-off	(166)	–	(166)
Transfer to properties for sale	(6,361)	–	(6,361)
Fair value gains	–	32,186	32,186
	1,693,970	8,158,136	9,852,106

6 Capital expenditure (Continued)

- (a) The valuations of the investment properties at 30th June 2019 were carried out by independent professional property valuers, Jones Lang LaSalle Limited and Martorana Bohegian & Company and at 31st December 2018 by 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.

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

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

- (b) The Group's property, plant and equipment included additions of HK\$17,498,000 (2018: HK\$10,399,000) (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\$1,010,000 (at 31st December 2018: HK\$499,000) and their ageing analysis of the trade debtors based on invoice date are as follows:

	As at 30th June 2019 HK\$'000	As at 31st December 2018 HK\$'000
0-30 days	825	426
31-60 days	73	73
61-90 days	73	–
Over 90 days	39	–
	1,010	499
	1,010	499

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:

	Number of shares (thousands)	Share capital HK\$'000
At 1st January 2019, 30th June 2019 and 31st December 2018	287,670	417,321
	287,670	417,321

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9 Long term bank loans – secured

	As at 30th June 2019 HK\$'000	As at 31st December 2018 HK\$'000
Bank loans	1,764,651	1,459,355
Amounts due within one year included under current liabilities	(1,081,566)	(967,348)
	<u>683,085</u>	<u>492,007</u>
The maturity of the long term bank loans is as follows:		
– within one year	1,081,566	967,348
– in the second year	499,296	492,007
– in the third to fifth year	183,789	–
	<u>1,764,651</u>	<u>1,459,355</u>

The 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\$6,762,209,000 (at 31st December 2018: HK\$6,490,798,000) 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
	2019	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the period/year	298,890	247,906	247,906
Charged to profit or loss (note 16)	22,013	16,075	50,984
	320,903	263,981	298,890
	320,903	263,981	298,890

11 Creditors and accruals

Included in creditors and accruals are trade creditors of HK\$9,302,000 (at 31st December 2018: HK\$6,317,000) and their ageing analysis is as follows:

	As at 30th June 2019	As at 31st December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	9,232	6,049
31-60 days	57	258
61-90 days	5	–
Over 90 days	8	10
	9,302	6,317
	9,302	6,317

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12 Short term bank loans and bank overdrafts

	As at 30th June 2019 <i>HK\$'000</i>	As at 31st December 2018 <i>HK\$'000</i>
Short term bank loans		
– secured	100,000	277,000
– unsecured	125,000	104,991
	225,000	381,991
 Bank overdrafts – secured	7,146	7,688

Certain short term bank loans and bank overdrafts 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	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation	8,771	9,023
Outgoings in respect of		
– investment properties	24,072	24,966
– properties for sale	4,145	5,507
– property related services	8,085	10,049
– property, plant and equipment	1,089	877
– hotel operations	5,141	5,089
Operating lease rental for office premises to a related company (note 20(b))	1,884	2,244
Other employee benefit expense	34,409	32,855
Others	17,454	19,576
 Total cost of sales, administrative expenses and other operating expenses	105,050	110,186

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14 Other gains, net

	For the six months ended 30th June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividend income from financial assets at fair value through other comprehensive income	682	3,169
Loss on disposal of property, plant and equipment, net	(250)	(18)
	432	3,151

15 Finance income and costs

	For the six months ended 30th June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance income		
Interest income from banks	352	91
Finance costs		
Interest expenses on bank loans and overdrafts	(38,798)	(26,920)
Less: Amount capitalised in property, plant and equipment (note 6(b))	17,498	10,399
	(21,300)	(16,521)
Finance costs, net	(20,948)	(16,430)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 (2018: 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	
	2019 HK\$'000	2018 HK\$'000
Current income tax		
– Hong Kong profits tax	2,244	1,720
– Overseas taxation	13	13
	<u>2,257</u>	<u>1,733</u>
Deferred income tax expense (note 10)	22,013	16,075
	<u>24,270</u>	<u>17,808</u>

17 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$188,054,000 (2018: HK\$442,450,000) and on 287,670,000 (2018: 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 2019 and 2018, the diluted earnings per share is equal to the basic earnings per share.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18 Dividend

	For the six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
Interim, declared, of HK10 cents (2018: HK10 cents) per ordinary share	28,767	28,767

At a meeting held on 23rd August 2019, the directors declared an interim dividend of HK10 cents per ordinary share for the year ending 31st December 2019. 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 2019.

19 Commitments

(a) Capital commitments

	As at 30th June 2019 HK\$'000	As at 31st December 2018 HK\$'000
Contracted but not provided for		
– investment properties	52,598	71,718
– property, plant and equipment	344,534	220,170
	397,132	291,888

(b) Commitments under operating leases

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

	As at 30th June 2019 HK\$'000	As at 31st December 2018 HK\$'000
Land and buildings		
– not later than one year	3,040	825

20 Related parties transactions

The Group entered into the following transactions with related parties during the period:

- (a) Property rental and property related services transactions with related parties

Property rental and property related services revenue in note 5(a) included amounts of HK\$610,000 (2018: HK\$640,000) and HK\$269,000 (2018: HK\$269,000) respectively from related companies and persons based on prices and terms as agreed by the parties involved.

- (b) Operating lease rental for office premises to a related company

Operating lease rental for office premises to a related company in note 13 was HK\$1,884,000 (2018: HK\$2,244,000). The transaction was entered with a company with common key management personnel and based on prices and terms as agreed by the parties involved.

- (c) Key management remuneration

Remuneration for key management includes amounts paid to the Company's directors (executive and non-executive) and senior management is as follows:

	For the six months ended 30th June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	114	104
Salaries	9,732	9,254
Housing and other allowances, benefits in kind	8,205	7,887
Retirement benefit costs	63	63
	18,114	17,308

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 28, which comprise the interim condensed consolidated statement of financial position of Tai Sang Land Development Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows 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 statements 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 of the Group 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 2019

Chairman's Statement

Result

The Group's core property leasing business sustained its growth with 11.7% period-on-period increase and the revenues of the Group for the six months ended 30th June 2019 increased 11.1% to HK\$184.6 million (2018: HK\$166.2 million).

The Group's consolidated profit for the first half of 2019 fell 57.1% to HK\$196.9 million (2018: HK\$459.0 million) due to a smaller property revaluation gain when compared with the same period last year. Earnings per share decreased correspondently to HK\$0.65 (2018: HK\$1.54).

When excluding the property revaluation gain and all related effects, underlying profit for the first half of 2019 was approximately HK\$49.3 million, increased by HK\$14.1 million or 40.1% as compared to the corresponding figure of HK\$35.2 million for the same period of 2018.

At 30th June 2019, the investment properties of the Group were revalued at HK\$8,350.5 million (at 31st December 2018: HK\$8,158.1 million), increased by HK\$192.4 million or 2.4% for the first half of 2019. Total equity amounted to HK\$7,985.8 million (at 31st December 2018: HK\$7,827.8 million).

Dividend

The directors have declared an interim dividend of HK10 cents (2018: HK10 cents) per ordinary share.

Outlook

The US Federal Reserve started to lower the interest rates recently, global interest rates are likely to stay low for some time. However, the Sino-US trade war is escalating, with no clear solution in short run. The international trades of China is affected and Hong Kong is likely to take a hit as well. Together with the recent political affairs and protests in Hong Kong, the economic prospect for the second half of 2019 is not so optimistic, hopefully, the impact will not be too significant.

The Group takes a cautiously optimistic view on its operation. We will pay attention to the development of the current situations and will make appropriate adjustments if the circumstance merits. Barring any unforeseen circumstances, the Group will continue to pursue a prudent policy.

William Ma Ching Wai

Chairman

Hong Kong, 23rd August 2019

Management Discussion and Analysis

Business review

In Hong Kong, the gross rental income for the first half of 2019 was HK\$129.2 million, increased HK\$12.8 million or 11.0% as compared to the same period last year. This increment was attributable to a significant increase by 15.2% in gross rental income from Gateway ts whereas contribution from residential sectors reduced slightly by 3.0%.

The hotel operation remained stable and the occupancy rate for the first half of 2019 maintained at about 96% in average.

In the USA, the gross rental income from Montgomery Plaza was HK\$36.3 million for the first half of 2019, increased by HK\$4.6 million or 14.5%, as compared to the same period last year. The office spaces occupancy rate of Montgomery Plaza was 94% as at the half year end of 2019.

Liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$147.8 million to HK\$1,996.8 million (at 31st December 2018: HK\$1,849.0 million), including outstanding long term bank loans of HK\$1,764.7 million (as at 31st December 2018: HK\$1,459.4 million). The total equity increased by HK\$158.0 million to HK\$7,985.8 million (at 31st December 2018: HK\$7,827.8 million). The debt to equity ratio was 25.0% (at 31st December 2018: 23.6%).

The cash flows position and funding needs are closely reviewed and monitored to ensure that the Group has a good degree of financial flexibility and liquidity while optimizing net financial costs. There are sufficient committed banking facilities available for the Group's current funding needs and future business requirement. 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.

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.

Bank borrowings amount to about HK\$1,871.8 million (at 31st December 2018: HK\$1,744.0 million) of the Group are secured by certain properties with an aggregate carrying amount of HK\$6,762.2 million (at 31st December 2018: HK\$6,490.8 million) and the rental income therefrom. Except for the overdraft facilities, interest on the Group's bank borrowings is based on the floating interest rate, i.e. spread plus HIBOR or LIBOR, whereas interest on the overdraft facilities is based on the Hong Kong bank's best lending rate and now is 5.125%.

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

	As at 30th June 2019 HK\$'000	As at 31st December 2018 HK\$'000
– within one year	1,081,566	967,348
– in the second year	499,296	492,007
– in the third to fifth year	183,789	–
	<u>1,764,651</u>	<u>1,459,355</u>

The long term bank loans due within one year included mainly the construction loan, in the amount of HK\$734.0 million (as at 31st December 2018: HK\$628.1 million), for financing the development at No. 43 Heung Yip Road, Aberdeen which is due to complete by the end of year 2019.

Details of number and remuneration of employees

As at 30th June 2019, the Group employed a total of 159 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 (2018: HK10 cents) per ordinary share, payable on 26th September 2019 to shareholders whose names standing on the register of members at the close of business on 10th September 2019 (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 Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10th September 2019.

Directors’ and Chief Executive’s Interests in Shares

At 30th June 2019, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of Part XV of SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were as follows:

Number of ordinary shares held at 30th June 2019

	Capacity		Total	Percentage
	Personal interest	Corporate interests		
		<i>(notes (a) and (b))</i>		
Directors:				
William Ma Ching Wai <i>(Chairman and Chief Executive)</i>	4,608,354	160,136,485	164,744,839	57.2688%
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	–	–	–	–

All interests stated above represent long positions.

Directors' and Chief Executive's Interests in Shares (Continued)

Notes:

- (a) Kam Chan & Company, Limited (“Kam Chan & Co”, in which Mr. William Ma Ching Wai held 62.30% interests) and its associates and Holston Investment Limited (in which Mr. William Ma Ching Wai held 77.20% interests) directly or indirectly owned 138,998,248 and 21,138,237 ordinary shares in the Company respectively.
- (b) Tai Sang International Limited (in which Mr. Patrick Ma Ching Hang held 100% interests) directly owned 8,732,013 ordinary shares in the 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 of the Company, 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 of the Company, Kam Hang Company Limited.
- (e) In addition, certain directors of the Company held non-beneficial interests in subsidiaries of the Company 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, as at 30th June 2019, no directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures 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 chief executive of the Company (including their spouse and children under 18 year of age) to acquire benefits by means of acquisition of shares, underlying shares or debentures of the Company or any of its specified undertakings or its other associated corporations.

Substantial Shareholders

At 30th June 2019, 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 were as follows:

Number of ordinary shares held at 30th June 2019

	Capacity		Total	Percentage
	Personal interest	Corporate interests <i>(note (a))</i>		
Substantial shareholders:				
Kam Chan & Co	112,248,758	26,749,490	138,998,248	48.3187%
Holston Investment Limited	21,138,237	–	21,138,237	7.3481%
Gold Fortune Investment Company Limited	15,488,636	–	15,488,636	5.3842%

All interests stated above represent long positions.

Notes:

- Gold Fortune Investment Company Limited, Suremark Limited (beneficially interested in 5,854,432 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 & Co. The aggregate shareholdings of these three companies are deemed to be the corporate interest of Kam Chan & Co in the ordinary shares in the Company.
- Save as disclosed above, as at 30th June 2019, no other persons had any interests or short positions 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.

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 (the “CG Code”) contained in Appendix 14 to 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. 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 Board is of the view that the balance of power and authority is adequately ensured as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management, and there are one non-executive director and three independent non-executive directors on the Board offering their experience, expertise, independent advice and views from different perspectives.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding directors’ securities transactions. On specific enquires made, all directors have confirmed that they have complied with the Model Code during the period.

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 2019 are unaudited, but have also been reviewed by PricewaterhouseCoopers, the Company’s independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A Report on Review of Interim Financial Information is set out on page 29.

By Order of the Board
William Ma Ching Wai
Chairman

Hong Kong, 23rd August 2019