TAI SANG LAND DEVELOPEMENT LIMITED
大生地産發展有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code : 89)

ANNOUNCEMENT OF 2018 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

For the year ended 31st December 2018

- Revenue increased by 24.3% to HK$352.4 million.
- Profit for the year decreased by 1.1% to HK$511.7 million.
- Underlying profit increased by 88.2% to HK$82.6 million.
- Final dividend proposed of HK12 cents per ordinary share.

The board of directors of Tai Sang Land Development Limited (the "Company") announced the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2018 are as follows:

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenues	*(3)(a)*	**352,362**	283,630
Cost of sales	*(4)*	**(89,704)**	(90,537)
Gross profit		**262,658**	193,093
Fair value gains on investment properties		**466,253**	391,152
Other gains, net	*(5)*	**3,248**	10,309
Administrative expenses	*(4)*	**(115,463)**	(115,956)
Other operating expenses	*(4)*	**(12,191)**	(10,120)
Operating profit		**604,505**	468,478
Finance income	*(6)*	**311**	94
Finance costs	*(6)*	**(38,484)**	(25,622)
Finance costs, net		**(38,173)**	(25,528)
Profit before income tax		**566,332**	442,950
Income tax (expense)/credit	*(7)*	**(54,639)**	74,543
Profit for the year		**511,693**	517,493
Attributable to:			
Owners of the Company		**492,803**	502,055
Non-controlling interests		**18,890**	15,438
		511,693	517,493
Earnings per share (basic and diluted)	*(8)*	**HK$1.71**	HK$1.75

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**511,693**	517,493
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net fair value gain on available-for-sale financial assets	**-**	1,514
Recycle to profit or loss upon disposal of available-for-sale financial assets	**-**	(4,773)
Exchange translation differences	**-**	(2)
Items that will not be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	**(5,165)**	-
Other comprehensive income for the year	**(5,165)**	(3,261)
Total comprehensive income for the year	**506,528**	514,232
Total comprehensive income attributable to:		
Owners of the Company	**489,519**	498,623
Non-controlling interests	**17,009**	15,609
	506,528	514,232

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,693,970**	1,429,097
Investment properties		**8,158,136**	7,566,706
Financial assets at fair value through other comprehensive income		**29,583**	-
Available-for-sale financial assets		**-**	34,760
		9,881,689	9,030,563
Current assets			
Properties for sale		**109,596**	101,740
Inventory		**-**	50
Debtors and prepayments	*(10)*	**45,327**	41,737
Current income tax recoverable		**94**	91
Cash and cash equivalents		**61,936**	51,510
		216,953	195,128
Total assets		**10,098,642**	9,225,691
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**417,321**	417,321
Reserves		**7,185,291**	6,747,553
		7,602,612	7,164,874
Non-controlling interests		**225,209**	211,013
Total equity		**7,827,821**	7,375,887

	Note	2018	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Long term bank loans – secured		**492,007**	734,210
Deferred income tax liabilities		**298,890**	247,906
		790,897	982,116
Current liabilities			
Rental and other deposits		**85,902**	86,921
Creditors and accruals	*(11)*	**35,744**	49,935
Current income tax liabilities		**1,251**	708
Short term bank loans		**381,991**	345,991
Current portion of long term bank loans – secured		**967,348**	384,133
Bank overdrafts		**7,688**	-
		1,479,924	867,688
Total equity and liabilities		**10,098,642**	9,225,691

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through other comprehensive income ("FVOCI") which are measured at fair value.

The Group had net current liabilities of HK$1,262,971,000 as at 31st December 2018. The current liabilities mainly included short term bank loans of HK$381,991,000 and current portion of long term bank loans of HK$967,348,000. 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 consolidated financial statements on a going concern basis.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are relevant and mandatory to the Group for the first time for the financial year beginning on or after 1st January 2018:

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current year has no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact on the financial statements

As explained in note (1)(c) below, HKFRS 9 was generally adopted without restating comparative information.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**At 31st December 2017 as originally presented** *HK$'000*	**Effects of the adoption of HKFRS 9** *HK$'000*	**At 1st January 2018** *HK$'000*
Non-current assets			
Available-for-sale financial assets	34,760	(34,760)	-
Financial assets at fair value through other comprehensive income	-	34,760	34,760

(c) HKFRS 9 Financial Instruments – Impact of adotpion

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 "Financial Instruments" from 1st January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the financial assets at FVOCI.

The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI for all its available-for-sale financial assets. The Group has used modified retrospective approach while adopting HKFRS 9, without restating comparative information. As a result, listed and unlisted available-for-sale financial assets with a fair value of HK$34,760,000 at 31st December 2017 were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1st January 2018. Cumulative impairment losses of HK$28,001,000 were reclassified from opening retained profits to investment revaluation reserve on 1st January 2018.

(ii) Impairment of financial assets

The Group's trade receivables are subjected to HKFRS 9's new expected credit loss model. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment on other receivables and amount due from group companies is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

(d) HKFRS 15 Revenue from Contracts with Customers - Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, HKAS 11 and the related interpretations that relate to the recognition of revenues. HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Rental income from lease agreements is specifically excluded from the scope of the new standard. The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1st January 2018 which had no material effect on timing and amount of revenues recognised in the consolidated financial statements.

(e) New standards and interpretations not yet adopted

The following new standards and amendments to standards are relevant and mandatory to the Group for the accounting period beginning on or after 1st January 2019 and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1st January 2019

The Group has already commenced an assessment of the impact of adopting the above new and amended standards. The Group does not identified any standards which may have a significant impact on the financial statements. The Group will adopt the above new and amended standards when they become effective.

(2) Requirement in connection with publication of "non-statutory accounts" under Section 436 of the Hong Kong Companies Ordinance Cap. 622

The financial information relating to the years ended 31st December 2018 and 2017 included in this preliminary announcement of annual results for the year ended 31st December 2018 does not constitute the Company's statutory annual consolidated financial statements for those years 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 2017 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) and will deliver the financial statements for the year ended 31st December 2018 in due course.

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

(3) Revenues and segment information

(a) Revenues recognised during the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenues		
Property rental		
—investment properties	**288,664**	223,725
—properties for sale	**26,174**	27,140
Revenue from contract with customers (Note (i))	**37,524**	32,765
	352,362	283,630

Note:

(i) The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major revenue stream:

	Property related services *HK$'000*	Hotel operations *HK$'000*	Catering operations *HK$'000*	Total *HK$'000*
Year ended 31st December 2018				
Revenue from contracts with customers	21,527	15,997	-	37,524
Timing of revenue recognition :				
Over time	21,527	15,997	-	37,524
Year ended 31st December 2017				
Revenue from contracts with customers	14,147	15,988	2,630	32,765
Timing of revenue recognition :				
At a point in time	-	-	2,630	2,630
Over time	14,147	15,988	-	30,135
Total	14,147	15,988	2,630	32,765

Property rental and property related services revenue above included amounts of HK$1,279,000 (2017: HK$1,521,000) and HK$528,000 (2017: HK$492,000) respectively from related companies and persons based on prices and terms as agreed by parties involved.

(b) 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 financial statements.

There are no sales between the operating segments.

(c) Operating segments

	Hong Kong *HK$'000*	North America *HK$'000*	Total *HK$'000*
For the year ended 31st December 2018			
Segment revenues			
Property rental	**245,910**	**68,928**	**314,838**
Property related services	**21,527**	**-**	**21,527**
Hotel operations	**15,997**	**-**	**15,997**
Total segment revenues	**283,434**	**68,928**	**352,362**
Segment results – underlying profit			
– Property rental and related services	**58,312**	**21,804**	**80,116**
– Hotel operations	**2,442**	**-**	**2,442**
Fair value gains on investment properties	**357,969**	**108,284**	**466,253**
Deferred income tax, net	**-**	**(37,118)**	**(37,118)**
Profit for the year	**418,723**	**92,970**	**511,693**
Included in segment results:			
Finance income	**76**	**235**	**311**
Finance costs	**(33,575)**	**(4,909)**	**(38,484)**
Income tax expense *(note)*	**(17,508)**	**(13)**	**(17,521)**
Depreciation	**(14,855)**	**(3,165)**	**(18,020)**
Capital expenditure	**402,785**	**11,855**	**414,640**
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**

	Hong Kong *HK$'000*	North America *HK$'000*	Total *HK$'000*
For the year ended 31st December 2017			
Segment revenues			
Property rental	195,208	55,657	250,865
Property related services	14,147	-	14,147
Hotel operations	15,988	-	15,988
Catering operations	2,630	-	2,630
Total segment revenues	227,973	55,657	283,630
Segment results			
– Property rental and related services	34,273	12,473	46,746
– Hotel operations	1,729	-	1,729
– Catering operations	(4,586)	-	(4,586)
Fair value gains/(losses) on investment properties	421,317	(30,165)	391,152
Deferred income tax credit, net	-	82,452	82,452
Profit for the year	452,733	64,760	517,493
Included in segment results:			
Finance income	8	86	94
Finance costs	(21,812)	(3,810)	(25,622)
Income tax expense *(note)*	(7,895)	(14)	(7,909)
Depreciation	(15,323)	(2,515)	(17,838)
Capital expenditure	336,654	31,023	367,677
At 31st December 2017			
Property, plant and equipment	1,412,007	17,090	1,429,097
Investment properties	6,769,250	797,456	7,566,706
Non-current assets (excluding available-for-sale financial assets)	8,181,257	814,546	8,995,803
Non-current available-for-sale financial assets	34,760	-	34,760
Current assets	163,418	31,710	195,128
Segment assets	8,379,435	846,256	9,225,691
Current liabilities	849,673	18,015	867,688
Non-current liabilities	716,374	265,742	982,116
Segment liabilities	1,566,047	283,757	1,849,804

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

(4) Cost and expenses

	2018	2017
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	**2,758**	2,660
– non-audit services	**654**	598
Bad debts	**152**	-
Depreciation	**18,020**	17,838
Outgoings in respect of		
– investment properties	**47,336**	46,716
– properties for sale	**8,584**	7,518
– property related services *(note a)*	**18,867**	13,818
– property, plant and equipment	**2,526**	2,422
– hotel operations *(note a)*	**10,120**	10,689
– catering operations *(note a)*	**-**	7,106
Operating lease rental for office premises to a related company *(note b)*	**4,488**	3,803
Other employee benefit expense	**68,867**	72,035
Others	**34,986**	31,410
Total cost of sales, administrative expenses and other operating expenses	**217,358**	216,613

Note: *(a)* The employee benefit expense included in outgoings in respect of property related services was HK$2,936,000 (2017: HK$877,000), hotel operations was HK$4,656,000 (2017: HK$4,415,000) and catering operations was HK$Nil (2017: HK$5,381,000).

(b) The transaction was entered with a company with common key management personnel and based on prices and terms as agreed between the parties involved.

(5) Other gains, net

	2018	2017
	HK$'000	*HK$'000*
Dividend income from financial assets at fair value through other comprehensive income/available-for-sale financial assets	**3,433**	5,743
Loss on disposal of property, plant and equipment, net	**(185)**	(207)
Gain on disposal of available-for-sale financial assets	**-**	4,773
	3,248	10,309

(6) Finance income and costs

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income from banks	**311**	94
Finance costs		
Interest expense on bank loans and overdrafts wholly repayable within five years	**(63,378)**	(41,212)
Less: Amount capitalised in property under development and investment property	**24,894**	15,590
	(38,484)	(25,622)
Finance costs, net	**(38,173)**	(25,528)

(7) Income tax (expense)/ credit

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Except for the minimum United States state tax which has been paid during the year, no overseas taxation (2017: HK$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the year.

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

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profit tax	**(4,107)**	(4,019)
– Overseas taxation	**(13)**	(14)
	(4,120)	(4,033)
Deferred income tax (expense)/credit	**(50,983)**	78,277
	(55,103)	74,244
Over provisions in prior year from current income tax	**464**	299
	(54,639)	74,543

(8) Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$492,803,000 (2017: HK$502,055,000) and on 287,670,000 (2017: 287,670,000) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2018 and 2017, the diluted earnings per share is equal to the basic earnings per share.

(9) Dividends

The interim dividend paid in 2018 and 2017 were HK$28,767,000 (HK10 cents per share) and HK$23,014,000 (HK8 cents per share) respectively. At a meeting held on 22nd March 2019, the directors proposed a final dividend of HK12 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2019 upon the approval by the Company's shareholders.

	2018	2017
	HK$'000	*HK$'000*
Interim, paid, of HK10 cents (2017: HK8 cents) per ordinary share	**28,767**	23,014
Final, proposed, of HK12 cents (2017: HK8 cents) per ordinary share	**34,520**	23,014
	63,287	46,028

(10) Debtors and prepayments

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	**499**	690
Prepayments, deposits and other debtors	**44,828**	41,047
	45,327	41,737

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 fee receivables.

At 31st December 2018, the ageing analysis of the trade debtors based on invoice date were as follows:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**426**	690
31-60 days	**73**	-
	499	690

(11) Creditors and accruals

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	**6,317**	6,941
Other creditors	**9,939**	13,412
Accruals	**19,488**	29,582
	35,744	49,935

At 31st December 2018, the ageing analysis of the trade creditors was as follows:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**6,049**	6,896
31-60 days	**258**	4
61-90 days	**-**	2
Over 90 days	**10**	39
	6,317	6,941

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

PROPOSED FINAL DIVIDEND AND RECORD DATE

An interim dividend of HK10 cents (2017: HK8 cents) per share was paid to shareholders on 24th September 2018. The directors of the Company have resolved to recommend to shareholders at the annual general meeting the payment of a final dividend of HK12 cents (2017: HK8 cents) per share to the shareholders whose names appear on the register of members of the Company at the close of business on 29th May 2019 ("Record Date"). The total distribution for the financial year ended 31st December 2018 will be HK22 cents (2017: HK16 cents) per share. The proposed final dividend will be paid on 18th June 2019 following approval at the annual general meeting. In order to qualify for the proposed final 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 Wednesday, 29th May 2019.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the shareholders of the Company will be held on 24th May 2019 (the "2019 AGM"). Notice of the 2019 AGM will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17th May 2019 to Friday, 24th May 2019 (both dates inclusive), during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, 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 Thursday, 16th May 2019.

CHAIRMAN'S STATEMENT

Result

I am pleased to report that the Group's consolidated profit for 2018 was HK$511.7 million. There was a mild decrease of HK$5.8 million or 1.1% as compared to HK$517.5 million for 2017. Earnings per share were HK$1.71 (2017: HK$1.75), a drop of 2.3% over last year. The consolidated profit for 2018 included fair value gains on investment properties (net of the relevant deferred tax in the United States) of HK$429.1 million (2017: HK$473.6 million).

The Group's underlying profit for 2018, being the consolidated profit excluding the effect of the fair value gains on investment properties (net of the relevant deferred tax in the United States), was approximately HK$82.6 million, increased by HK$38.7 million or 88.2% as compared to the corresponding figure of HK$43.9 million for 2017. The increase in the underlying profit was mainly attributable to the growth in rental income from Hong Kong and the USA properties.

The revenue of the Group for 2018 was HK$352.4 million, increased by HK$68.8 million or 24.3% as compared to HK$283.6 million for 2017.

As at 31st December 2018, the investment properties of the Group were revalued at HK$8,158.1 million (2017: HK$7,566.7 million). Total equity amounted to HK$7,827.8 million (2017: HK$7,375.9 million).

Dividend

The directors have resolved to recommend a final dividend of HK12 cents (2017: HK8 cents) per ordinary share.

Prospects

The asset enhancement schemes that the Group has been undertaking have started to payoff, with results reflected in the significant growth in rental income. The Group will continue to bring forward similar enhancement schemes to its other properties to maximize their potential and returns.

The Sino-US trade war has been dragged on for a while has caused significant adverse effects to global economies. Nonetheless, recently, there have been more meetings held between the two countries towards striking a deal that would be satisfactory to both. It is becoming hopeful that the trade war would end earlier in the coming months.

As the Belt and Road Initiative; as well as the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area proceed as planned, they will definitely benefit Asia, including Hong Kong, in the mid to long term, although some turbulences will be seen throughout their implementation.

It is expected that changes in interest rates for this year will be mild, and will not cause much effect, which will be beneficial to the global economies as a whole.

The Group takes a cautiously optimistic view on the market outlook, and will continue striving for enhancing income.

In closing, I wish to thank my fellow directors for their valuable guidance and to all staff members for their dedication and hard work.

William Ma Ching Wai
Chairman

Hong Kong, 22nd March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In Hong Kong, the gross rental income for the year ended 31st December 2018 was HK$245.9 million, an increase of HK$50.7 million or 26% as compared to last year. The increment was mainly attributable to the significant increase in rental income from Gateway ts.

The income from hotel room tariff of Hotel LBP for the year ended 31st December 2018 remained stable at about HK$16.0 million with stable occupancy rate at about 97% on average. The profit generated from the hotel operation for the year ended 31st December 2018 was HK$2.4 million, increased HK$0.7 million or 41% over last year, resulting from reduced operating costs. Both of the restaurant Gees and the factory canteen ceased operation in 2018.

In the USA, the gross rental income from Montgomery Plaza for the year ended 31st December 2018 was HK$68.9 million, an increase of HK$13.2 million or 23.7% as compared to last year. The office space occupancy rate of Montgomery Plaza was 94% by the year end of 2018.

Financial Resources

During the year, the Group's total bank borrowings increased by HK$384.7 million to HK$1,849.0 million (2017: HK$1,464.3 million), including outstanding long term bank loans of HK$1,459.4 million (2017: HK$1,118.3 million) as at 31st December 2018. The total equity increased by HK$451.9 million to HK$7,827.8 million (2017: HK$7,375.9 million). The debt to equity ratio was 23.6% (2017: 19.9%).

There are sufficient committed banking facilities available for the Group's current funding needs and for future business requirements. The Group's financial position remains healthy. There are no exposures to foreign exchange risk as the bank borrowings are in either Hong Kong or US dollars and the repayment of principals and interests are made by the respective borrowing currencies.

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

Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group 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$1,744.0 million (2017: HK$1,329.3 million) of the Group are secured by certain properties with an aggregate carrying amount of HK$6,490.8 million (2017: HK$5,734.6 million) and the rental income therefrom.

The maturity of the Group's long term bank loans as at 31st December 2018 is summarized as follows:

	2018	2017
	HK$'000	*HK$'000*
– within one year	**967,348**	384,133
– in the second year	**492,007**	334,572
– in the third to fifth year	**-**	399,638
	1,459,355	1,118,343

The long term bank loans due within one year as at 31st December 2018 included mainly the construction loan, in the amount of HK$628.1 million, financing for 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 31st December 2018, the Group employed a total of 160 full-time employees which included the directors of the Company. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's issued shares during the year.

CORPORATE GOVERNANCE

The Company complied with the code provisions of Corporate Governance Code (the "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") throughout the year ended 31st December 2018, 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 Board of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules and all directors have confirmed that throughout 2018, they have complied with the provision of such Model Code.

AUDIT COMMITTEE'S REVIEW

The Audit Committee has reviewed, in the presence of the external auditor, PwC, the Group's principal accounting policies and the consolidated financial statements for the year ended 31st December 2018.

ANNUAL REPORT

The 2018 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and the Company's website at www.tsld.com.

By Order of the Board
William Ma Ching Wai
Chairman

Hong Kong, 22nd March 2019

Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

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