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## **TAI SANG LAND DEVELOPMENT LIMITED**

### **大生地產發展有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 89)**

#### **ANNOUNCEMENT OF 2013 RESULTS**

##### **FINANCIAL HIGHLIGHTS**

For the year ended 31st December 2013

- Revenue increased by 5.9% to HK\$228.8 million.
- Profit for the year decreased by 28.9% to HK\$427.0 million.
- Underlying profit decreased by 15.5% to HK\$30.6 million.

The board of directors of Tai Sang Land Development Limited (the “Company”) announced the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2013 are as follows:

**1. CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenues	(2)	<b>228,841</b>	216,127
Cost of sales	(3)	<b>(73,006)</b>	(61,886)
Gross profit		<b>155,835</b>	154,241
Fair value gains on investment properties		<b>432,210</b>	629,597
Other (loss)/income and gains, net	(4)	<b>(869)</b>	511
Administrative expenses	(3)	<b>(86,429)</b>	(79,062)
Other operating expenses	(3)	<b>(19,017)</b>	(18,048)
Operating profit		<b>481,730</b>	687,239
Finance income	(5)	<b>49</b>	93
Finance costs	(5)	<b>(10,425)</b>	(14,782)
Finance costs, net		<b>(10,376)</b>	(14,689)
Profit before income tax		<b>471,354</b>	672,550
Income tax expense	(6)	<b>(44,391)</b>	(71,814)
Profit for the year		<b>426,963</b>	600,736
Attributable to:			
Owners of the Company		<b>414,961</b>	580,181
Non-controlling interests		<b>12,002</b>	20,555
		<b>426,963</b>	600,736
Earnings per share (basic and diluted)	(7)	<b>HK\$1.44</b>	HK\$2.02
Dividends	(8)	<b>31,644</b>	37,397
Dividends per share	(8)		
Interim – paid		<b>HK7 cents</b>	HK5 cents
Final – proposed		<b>HK4 cents</b>	HK8 cents
Total		<b>HK11 cents</b>	HK13 cents

**2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year	<b>426,963</b>	600,736
Other comprehensive income		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Net fair value loss on available-for-sale financial assets	<b>(7,820)</b>	(10,704)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	–	(340)
Exchange translation differences	<b>4</b>	33
Other comprehensive income for the year	<b>(7,816)</b>	(11,011)
Total comprehensive income for the year	<b>419,147</b>	589,725
Total comprehensive income attributable to:		
Owners of the Company	<b>407,195</b>	567,753
Non-controlling interests	<b>11,952</b>	21,972
	<b>419,147</b>	589,725

**3. CONSOLIDATED BALANCE SHEET  
AS AT 31ST DECEMBER 2013**

	<i>Note</i>	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>617,204</b>	609,084
Investment properties		<b>5,254,672</b>	4,751,076
Available-for-sale financial assets		<b>51,597</b>	61,417
Prepayments		<b>7,494</b>	13,314
		<u><b>5,930,967</b></u>	<u>5,434,891</u>
<b>Current assets</b>			
Properties for sale		<b>101,331</b>	101,331
Debtors and prepayments	(9)	<b>19,690</b>	22,177
Current income tax recoverable		<b>766</b>	299
Cash and cash equivalents		<b>59,846</b>	41,826
		<u><b>181,633</b></u>	<u>165,633</u>
<b>Current liabilities</b>			
Rental and other deposits		<b>50,849</b>	43,655
Creditors and accruals	(10)	<b>50,581</b>	49,639
Current income tax liabilities		<b>27,099</b>	29,556
Short term bank loans – secured		<b>300,792</b>	374,000
Bank overdrafts – secured		<b>4,181</b>	7,601
Current portion of long term bank loans – secured		<b>6,000</b>	131,809
		<u><b>439,502</b></u>	<u>636,260</u>
Net current liabilities		<u><b>(257,869)</b></u>	<u>(470,627)</u>
Total assets less current liabilities		<u><b>5,673,098</b></u>	<u>4,964,264</u>
<b>Non-current liabilities</b>			
Long term bank loans – secured		<b>294,549</b>	–
Deferred income tax liabilities		<b>179,629</b>	139,187
		<u><b>474,178</b></u>	<u>139,187</u>
Net assets		<u><b>5,198,920</b></u>	<u>4,825,077</u>
<b>Equity</b>			
Equity attributable to the Company's owners			
Share capital		<b>287,670</b>	287,670
Reserves		<b>4,729,737</b>	4,354,186
Proposed dividends		<b>11,507</b>	23,014
		<u><b>5,028,914</b></u>	<u>4,664,870</u>
Non-controlling interests		<b>170,006</b>	160,207
Total equity		<u><b>5,198,920</b></u>	<u>4,825,077</u>

**(1) Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets at fair value.

The Group had net current liabilities of HK\$257,869,000 as at 31st December 2013. The current liabilities mainly included short term bank loans of HK\$300,792,000. 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.

Adoption of new HKFRSs

In 2013, the Group adopted the following new standards, interpretations, and amendments to existing standards (collectively the “new HKFRSs”) issued by the HKICPA, which are effective for the financial year ended 31st December 2013 and are relevant to the Group’s operation:

HKAS 1 (Amendment)	“Financial Statements Presentation” Regarding Other Comprehensive Income
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Amendment)	Separate Financial Statements
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, 11 and 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurements
HKFRSs (Amendment)	Annual Improvements 2011

Except that the adoption of HKAS 1 (Amendment), HKFRS 10 and HKFRS 13 had resulted in changes in accounting policies as described below, the adoption of other new HKFRSs in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group’s significant accounting policies.

HKAS 1 (Amendment) requires entities to group items presented in “other comprehensive income” (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10 defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US Generally Accepted Accounting Principles (“US GAAP”), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

Standards, amendments and improvements to existing standards that are not yet effective for the year ended 31st December 2013 and have not been early adopted by the Group

The HKICPA has issued certain new HKFRSs which are relevant to the Group's operations but are not yet effective for the year ended 31st December 2013. The Group has not early adopted these standards in the consolidated financial statements.

**Effective for  
accounting periods  
beginning on or after**

HKAS 19 (Amendment)	Defined Benefit Plans	1st July 2014
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKAS 36 (Amendment)	Disclosures – Recoverable Amount of Impaired Assets	1st January 2014
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities	1st January 2014
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRSs (Amendment)	Annual Improvements 2012, 2013	1st July 2014

The Group will apply the above new HKFRSs when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial financial impact will be resulted.

**(2) Revenues and segment information**

The chief operating decision-maker has been identified as the executive directors of the Company. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The board of directors considers the business from a geographic perspective and has identified the operating segments of the Group in Hong Kong and North America.

The board of directors assesses the performance of the operating segments based on their underlying profit, which is measured by profit after income tax excluding fair value changes on investment properties and deferred income tax on fair value changes on investment properties, and their segment assets and segment liabilities which is measured in a manner consistent with that in the financial statements.

There are no sales between the operating segments.

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>North</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>For the year ended 31st December 2013</b>			
Segment revenues			
Property rental	158,791	46,506	205,297
Property related services	8,050	–	8,050
Hotel operations	15,494	–	15,494
	<hr/>	<hr/>	<hr/>
Total segment revenues	<b>182,335</b>	<b>46,506</b>	<b>228,841</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment results – underlying profit			
– Property rental and related services	25,261	3,279	28,540
– Hotel operations	2,042	–	2,042
Fair value gains on investment properties	351,012	81,198	432,210
Deferred income tax, net	–	(35,829)	(35,829)
	<hr/>	<hr/>	<hr/>
Profit for the year	<b>378,315</b>	<b>48,648</b>	<b>426,963</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Included in segment results:			
Impairment loss on available-for-sale financial assets	(2,000)	–	(2,000)
Finance income	7	42	49
Finance costs	(7,505)	(2,920)	(10,425)
Income tax expense (note)	(8,549)	(13)	(8,562)
Depreciation	(13,612)	(781)	(14,393)
	<hr/>	<hr/>	<hr/>
Capital expenditure	<b>89,833</b>	<b>4,741</b>	<b>94,574</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>At 31st December 2013</b>			
Property, plant and equipment	604,545	12,659	617,204
Investment properties	4,667,550	587,122	5,254,672
Non-current prepayments	7,494	–	7,494
	<hr/>	<hr/>	<hr/>
Non-current assets (excluding available-for-sale financial assets)	<b>5,279,589</b>	<b>599,781</b>	<b>5,879,370</b>
Non-current available-for-sale financial assets	51,597	–	51,597
Current assets	134,758	46,875	181,633
	<hr/>	<hr/>	<hr/>
Segment assets	<b>5,465,944</b>	<b>646,656</b>	<b>6,112,600</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Current liabilities	431,332	8,170	439,502
Non-current liabilities	214,547	259,631	474,178
	<hr/>	<hr/>	<hr/>
Segment liabilities	<b>645,879</b>	<b>267,801</b>	<b>913,680</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31st December 2012			
Segment revenues			
Property rental	149,684	43,514	193,198
Property related services	9,185	–	9,185
Hotel operations	13,744	–	13,744
	<u>172,613</u>	<u>43,514</u>	<u>216,127</u>
Total segment revenues	<u>172,613</u>	<u>43,514</u>	<u>216,127</u>
Segment results – underlying profit			
– Property rental and related services	30,451	3,787	34,238
– Hotel operations	1,950	–	1,950
Fair value gains on investment properties	550,474	79,123	629,597
Deferred income tax, net	(27,900)	(37,149)	(65,049)
	<u>554,975</u>	<u>45,761</u>	<u>600,736</u>
Profit for the year	<u>554,975</u>	<u>45,761</u>	<u>600,736</u>
Included in segment results:			
Impairment loss on available-for-sale financial assets	(1,360)	–	(1,360)
Finance income	77	16	93
Finance costs	(12,064)	(2,718)	(14,782)
Income tax expense (note)	(6,752)	(13)	(6,765)
Depreciation	(13,578)	(997)	(14,575)
	<u>(13,578)</u>	<u>(997)</u>	<u>(14,575)</u>
Capital expenditure	<u>60,258</u>	<u>5,999</u>	<u>66,257</u>
At 31st December 2012			
Property, plant and equipment	596,088	12,996	609,084
Investment properties	4,249,450	501,626	4,751,076
Non-current prepayments	13,314	–	13,314
	<u>4,858,852</u>	<u>514,622</u>	<u>5,373,474</u>
Non-current assets (excluding available-for-sale financial assets)	4,858,852	514,622	5,373,474
Non-current available-for-sale financial assets	61,417	–	61,417
Current assets	140,825	24,808	165,633
	<u>5,061,094</u>	<u>539,430</u>	<u>5,600,524</u>
Segment assets	<u>5,061,094</u>	<u>539,430</u>	<u>5,600,524</u>
Current liabilities	494,733	141,527	636,260
Non-current liabilities	70,711	68,476	139,187
	<u>565,444</u>	<u>210,003</u>	<u>775,447</u>
Segment liabilities	<u>565,444</u>	<u>210,003</u>	<u>775,447</u>

Note:

The amount excludes deferred income tax on fair value changes on investment properties.



**(3) Cost and expenses**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Auditors' remuneration	2,324	2,313
Bad debts written off	439	–
Depreciation	14,393	14,575
Outgoings in respect of		
– investment properties	45,322	36,556
– properties for sale	6,945	5,554
– property related services	7,076	7,784
– property, plant and equipment	730	806
– hotel operations	8,179	6,457
Operating lease rental for office premises to a related company	3,315	3,300
Staff costs	67,678	61,718
Others	22,051	19,933
	<hr/>	<hr/>
Total cost of sales, administrative and other operating expenses	<b>178,452</b>	<b>158,996</b>

**(4) Other (loss)/income and gains, net**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Dividend income from listed available-for-sale financial assets	1,300	1,539
Gain on disposal of available-for-sale financial assets	–	340
Loss on disposal of property, plant and equipment, net	(169)	(8)
Impairment loss on available-for-sale financial assets	(2,000)	(1,360)
	<hr/>	<hr/>
	<b>(869)</b>	<b>511</b>

**(5) Finance income and costs**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Finance income		
Interest income from banks	49	93
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance costs		
Interest expenses		
– bank loans and overdrafts wholly repayable within five years	(14,201)	(14,782)
– bank loan wholly repayable after five years	(1,973)	–
	<hr/>	<hr/>
	<b>(16,174)</b>	<b>(14,782)</b>
Less: Amount capitalised in property under development	5,749	–
	<hr/>	<hr/>
	<b>(10,425)</b>	<b>(14,782)</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance costs, net	<b>(10,376)</b>	<b>(14,689)</b>

**(6) Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Except for the minimum United States state tax which has been paid during the year, no overseas taxation (2012: HK\$Nil) has been provided as there is no estimated taxable profit of the overseas subsidiaries for the year.

The amount of income tax charged to the consolidated income statement represents:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	<b>(4,088)</b>	(5,869)
– overseas taxation	<b>(14)</b>	(13)
– over provision in prior years	<b>152</b>	176
	<b>(3,950)</b>	(5,706)
Deferred income tax	<b>(40,441)</b>	(66,108)
	<b>(44,391)</b>	(71,814)

**(7) Earnings per share**

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$414,961,000 (2012: HK\$580,181,000) and on 287,669,676 (2012: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2013 and 2012, the diluted earnings per share is equal to the basic earnings per share.

**(8) Dividends**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interim, paid, of HK7 cents (2012: HK5 cents) per ordinary share	<b>20,137</b>	14,383
Final, proposed, of HK4 cents (2012: HK8 cents) per ordinary share	<b>11,507</b>	23,014
	<b>31,644</b>	37,397

At a meeting held on 25th March 2014, the directors proposed a final dividend of HK4 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 2014 upon the approval by the shareholders.

**(9) Debtors and prepayments**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade debtors	<b>528</b>	731
Prepayments, deposits and other debtors	<b>19,162</b>	21,446
	<hr/> <b>19,690</b> <hr/>	<hr/> 22,177 <hr/>

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 2013, the ageing analysis of the Group's trade debtors was as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current	<b>490</b>	688
31-60 days	<b>38</b>	23
61-90 days	–	–
Over 90 days	–	20
	<hr/> <b>528</b> <hr/>	<hr/> 731 <hr/>

**(10) Creditors and accruals**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade creditors	<b>22,341</b>	15,047
Other creditors	<b>10,315</b>	12,341
Accruals	<b>17,925</b>	22,251
	<hr/> <b>50,581</b> <hr/>	<hr/> 49,639 <hr/>

At 31st December 2013, the ageing analysis of the Group's trade creditors was as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current	<b>17,529</b>	6,193
31-60 days	<b>218</b>	298
61-90 days	<b>49</b>	463
Over 90 days	<b>4,545</b>	8,093
	<hr/> <b>22,341</b> <hr/>	<hr/> 15,047 <hr/>

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2013 have been agreed by 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 HKICPA and consequently no assurance has been expressed by PwC on the preliminary announcement.

## **PROPOSED FINAL DIVIDEND AND RECORD DATE**

An interim dividend of HK7 cents (2012: HK5 cents) per share was paid to shareholders on 19th September 2013. The directors of the Company have resolved to recommend to shareholders at the Annual General Meeting the payment of a final dividend of HK4 cents (2012: HK8 cents) per share to the shareholders whose names appear on the register of members of the Company at the close of business on 28th May 2014 ("Record Date"). The total distribution for the financial year ended 31st December 2013 will be HK11 cents (2012: HK13 cents) per share. The proposed final dividend will be paid on 12th June 2014 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 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 Wednesday, 28th May 2014.

## **ANNUAL GENERAL MEETING**

It is proposed that the Annual General Meeting of the Shareholders of the Company will be held on 23rd May 2014 (the "2014 AGM"). Notice of the 2014 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, 16th May 2014 to Friday, 23rd May 2014 (both dates inclusive), during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2014 AGM, 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 Thursday, 15th May 2014.

## **CHAIRMAN'S STATEMENT**

### **Result**

I am pleased to report that the Group's consolidated profit for 2013 was HK\$427.0 million, a decrease of 28.9% as compared to HK\$600.7 million for 2012. Earnings per share were HK\$1.44 (2012: HK\$2.02), a drop of 28.7% over last year. The consolidated profit for 2013 included fair value gains (net of deferred tax) on investment properties of HK\$396.4 million, as compared to fair value gains (net of deferred tax) on investment properties of HK\$564.5 million for 2012.

The Group's underlying profit for 2013, excluding the effect of the aforesaid fair value gains (net of deferred tax) on investment properties, was approximately HK\$30.6 million, dropped by HK\$5.6 million or 15.5% as compared to the corresponding figure of HK\$36.2 million for 2012. Despite the increase in the rental income from both Hong Kong and USA properties, the decrease in the underlying profit was mainly attributable to the increase in the repair and maintenance expenses for Hong Kong properties, especially the contribution to the general renovations of the residential units, and the increase in operating cost due to the Group's business expansion.

The revenues of the Group for 2013, was HK\$228.8 million, increased HK\$12.7 million or 5.9% as compared to HK\$216.1 million for 2012.

As at 31st December 2013, the investment properties of the Group were revalued at HK\$5,254.7 million (31st December 2012: HK\$4,751.1 million). Total equity amounted to HK\$5,198.9 million (31st December 2012: HK\$4,825.1 million).

### **Dividend**

The directors have resolved to recommend a final dividend of HK4 cents (2012: HK8 cents) per ordinary share.

### **Prospects**

The US Federal Reserve Board decided to begin tapering asset purchases, as yet, the interest rate will remain at current level in the near future. Caution, however, should be given to the political situation in Asia.

In Hong Kong, the shortage of labour especially in the construction sector has already boosted up the general salary level. Operating expenses, productivity and the property development are unavoidably affected. The Government's strict policy on property demand management is affecting the mid-range property development and it is expected that the property market transactions will remain sluggish in coming year. Moreover, the recent discussions over the local political reform may also hinder the economic growth.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy in the coming year.

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, 25th March 2014

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

In Hong Kong, the gross rental income for the year ended 31st December 2013 was HK\$158.8 million, an increase of 6.1% or HK\$9.1 million as compared to last year. Despite the loss of rental from Express Industrial Building at Wong Chuk Hang in 2013, there was a significant increase in rental contribution from Gateway ts by HK\$10.5 million or 14.4% as compared to 2012 and the rental contribution from the luxury residential units and shops also increased by 6% as compared to 2012. The upgrading work at Gateway ts will continue in coming years and there will be further growth in the rental rate and the rental contribution from Gateway ts.

The profit generated from the operation of Hotel LBP increased 5% or HK\$0.1 million to HK\$2.04 million as compared to last year. The hotel room charge income increased 13% or HK\$1.75 million to HK\$15.5 million as compared to last year. The increase was attributable to the improved occupancy rate for 2013 which was 92% in average and at higher room rate. The contribution from hotel operation will stabilize for the coming year.

In the USA, the gross rental income from Montgomery Plaza for the year ended 31st December 2013 was HK\$46.5 million, an increase of 6.9% or HK\$3.0 million as compared to last year. The office spaces occupancy rate of Montgomery Plaza dropped to 86% by the year end of 2013 and the weighted average office rent per square feet per annum rose to US\$41.1. During 2013, San Francisco's office market accelerated in the third quarter in 2013 with a drop in vacancy rates and increase in rental rates and net absorption. Rental rates are expected to maintain at the current level in the coming year.

### Financial Resources

During the year, the Group's total bank borrowings and overdraft increased by HK\$92.1 million to HK\$605.5 million (2012: HK\$513.4 million). The total equity increased by HK\$373.8 million to HK\$5,198.9 million (2012: HK\$4,825.1 million) and long term bank loans outstanding as at 31st December 2013 was HK\$300.5 million (2012: HK\$131.8 million). The debt to equity ratio was 11.6% (2012: 10.6%).

The hotel development at Heung Yip Road, Wong Chuk Hang has started and the relevant bank financing will be arranged. Certain short term bank borrowings and matured term loans have been renewed and refinanced during 2013.

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. Exposure to foreign exchange risk is kept to a minimum as the bank borrowings are in either Hong Kong or US dollars.

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

## Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
– within one year	6,000	131,809
– in the second year	7,083	–
– in the third to fifth years	139,725	–
– after the fifth year	147,741	–
	<u>300,549</u>	<u>131,809</u>

The Group's bank borrowings of HK\$605.5 million (2012: HK\$513.4 million) are secured by certain properties with an aggregate carrying amount of HK\$3,717.8 million (2012: HK\$3,331.4 million) and the rental income thereon.

## Significant investment held and their performance and future prospects

The Group held certain listed investments with fair value as at 31st December 2013 of HK\$39.60 million (at 31st December 2012: HK\$40.42 million).

The Group held certain unlisted investments with fair value as at 31st December 2013 of HK\$12 million (at 31st December 2012: HK\$21 million). It included 12% equity interest each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited and Yangtze China Investment Limited.

## Details of number and remuneration of employees

As at 31st December 2013, the Group employed a total of 170 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 subsidiary companies 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 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 year ended 31st December 2013.

The Board of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules and all directors have confirmed that throughout 2013, 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 2013.

## **ANNUAL REPORT**

The 2013 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](http://www.tsld.com).

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

Hong Kong, 25th March 2014

### **Registrar and Transfer office**

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

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