天德地產有限公司
Tian Teck Land Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 266)

Preliminary Announcement of Results for the year ended 31 March 2017

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the audited results of the Group for the year ended 31 March 2017. These results have been reviewed with no disagreement by the Audit Committee of the Company and this preliminary results announcement has been agreed with the Company's auditor, KPMG.

Consolidated statement of profit or loss and other comprehensive income

	Note	**Year ended 31 March 2017 $'000**	2016 $'000
Revenue	3	**673,445**	680,544
Cost of services		**(83,934)**	(82,111)
Gross profit		**589,511**	598,433
Other revenue	5(a)	**5,647**	3,421
Other net loss	5(b)	**(2,512)**	(2,013)
Administrative expenses		**(40,430)**	(41,363)
Profit from operations before valuation changes in investment properties		**552,216**	558,478
Net valuation (losses)/gains on investment properties		**(628,277)**	410,505
(Loss)/profit from operations after valuation changes in investment properties		**(76,061)**	968,983
Finance costs	6(a)	**(3,374)**	(2,458)
(Loss)/profit before taxation	6	**(79,435)**	966,525
Income tax	7	**(90,721)**	(91,948)
(Loss)/profit and total comprehensive income for the year		**(170,156)**	874,577
Attributable to:			
— Equity shareholders of the Company		**(90,612)**	438,966
— Non-controlling interests		**(79,544)**	435,611
(Loss)/profit and total comprehensive income for the year		**(170,156)**	874,577
(Loss)/earnings per share — basic and diluted	9	**$(0.19)**	$0.92

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated statement of financial position

	Note	**At 31 March 2017** *$'000*	*$'000*	At 31 March 2016 *$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**14,377,471**		15,007,687
— Other properties, plant and equipment			**72,420**		78,936
			14,449,891		15,086,623
Current assets					
Accounts receivable, deposits and prepayments	10	**22,658**		21,526	
Pledged bank deposits		**134,981**		161,791	
Cash and cash equivalents		**430,830**		380,785	
Current tax recoverable		**315**		–	
		588,784		564,102	
Current liabilities					
Bank loan — secured		**–**		200,000	
Other payables and accruals	11	**23,358**		25,855	
Deposits received		**198,359**		207,401	
Provision for long service payments		**1,513**		1,581	
Obligations under finance leases		**29**		29	
Current tax payable		**19,915**		23,350	
		243,174		458,216	
Net current assets			**345,610**		105,886
Total assets less current liabilities			**14,795,501**		15,192,509
Non-current liabilities					
Bank loan — secured		**200,000**		–	
Government lease premiums payable		**1,920**		1,980	
Obligations under finance leases		**46**		75	
Deferred tax liabilities		**64,333**		56,756	
			266,299		58,811
NET ASSETS			**14,529,202**		15,133,698
CAPITAL AND RESERVES					
Share capital			**121,830**		121,830
Reserves			**7,334,597**		7,643,585
			7,456,427		7,765,415
Non-controlling interests			**7,072,775**		7,368,283
TOTAL EQUITY			**14,529,202**		15,133,698

Notes:

1. **Basis of preparation**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2016, except for the accounting policy changes that have been reflected in the financial statements for the year ended 31 March 2017. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 March 2017 and 2016 included in this preliminary announcement of results 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 is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2017 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 (3) of the Hong Kong Companies Ordinance.

2. **Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group.

— *Annual improvements to HKFRSs 2012–2014 cycle*

— Amendments to HKAS 1, *Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. **Revenue**

The principal activity of the Group is property investment.

Revenue represents gross rental income received and receivable from investment properties.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue from this customer amounted to approximately $77,251,000 (2016: $82,545,000).

4. Segment information

The Group has a single reportable segment which is "Property leasing". Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

No separate geographical information is presented as the Group's revenue and results of property leasing were derived from Hong Kong and the People's Republic of China (the "PRC").

5. Other revenue and net loss

	Year ended 31 March	
	2017	2016
	$'000	*$'000*
(a) Other revenue		
Interest income	**4,047**	3,346
Compensation from early termination of lease	**1,005**	–
Others	**595**	75
	5,647	3,421
(b) Other net loss		
Net loss on disposals of fixed assets	**(7)**	(14)
Net foreign exchange loss	**(2,505)**	(1,999)
	(2,512)	(2,013)

6. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

	Year ended 31 March	
	2017	2016
	$'000	*$'000*
(a) Finance costs		
Interest on bank loan	**2,304**	2,104
Interest on government lease premiums payable	**100**	103
Other borrowing costs	**970**	251
	3,374	2,458
(b) Other item		
Depreciation	**7,068**	7,419

7. Income tax

	Year ended 31 March 2017 $'000	2016 $'000
Current tax — Hong Kong profits tax		
Provision for the year	**82,973**	84,173
Over-provision in respect of prior years	**(92)**	(60)
	82,881	84,113
Current tax — PRC		
Provision for the year	**263**	299
Deferred tax		
Changes in fair value of investment properties	**24**	(178)
Origination and reversal of temporary differences	**7,553**	7,714
	7,577	7,536
	90,721	91,948

The provision for Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. PRC taxation is calculated based on the applicable rate of taxation in accordance with the relevant tax rules and regulations of the PRC.

8. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	Year ended 31 March 2017 $'000	2016 $'000
Interim dividend declared and paid of $0.23 per share (2016: $0.23 per share)	**109,188**	109,188
Final dividend proposed after the end of the reporting period of $0.23 per share (2016: $0.23 per share)	**109,188**	109,188
	218,376	218,376

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	Year ended 31 March 2017 $'000	2016 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.23 per share (2016: $0.23 per share)	**109,188**	109,188

9. (Loss)/earnings per share — basic and diluted

The calculation of basic loss per share (2016: earnings per share) is based on the loss attributable to equity shareholders of the Company of $90,612,000 (2016: a profit of $438,966,000) and 474,731,824 (2016: 474,731,824) shares in issue during the year. There were no potential dilutive shares in existence in 2016 and 2017.

10. Accounts receivable, deposits and prepayments

The ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) which was included in accounts receivable, deposits and prepayments as of the end of the reporting period is as follows:

	At 31 March	
	2017	2016
	$'000	*$'000*
Current	**10,051**	13,195
Less than 1 month past due	**1,190**	1,474
1 to 3 months past due	**779**	54
More than 3 months but less than 12 months past due	**16**	54
More than 12 months past due	**–**	6
Amounts past due	**1,985**	1,588
Total accounts receivable, net of allowance for bad and doubtful debts	**12,036**	14,783
Deposits and prepayments	**10,622**	6,743
	22,658	21,526

Debts are generally due on the 1st day of each month and 10 to 14 days are allowed for settlement or else interest will be charged. Legal action will be taken against past due debtors whenever the situation is appropriate.

11. Other payables and accruals

As at 31 March 2017, all of the other payables and accruals are expected to be settled within one year. As at 31 March 2016, all of the other payables and accruals were expected to be settled within one year except for $32,000 which was expected to be settled after more than one year.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to recommend a final dividend of $0.23 per share for the year ended 31 March 2017 (2016: $0.23 per share). As the Company paid an interim dividend of $0.23 per share during the year (2016: $0.23 per share), the total distribution will be $0.46 per share for the year (2016: $0.46 per share).

Subject to the members' approval on the proposed final dividend at the forthcoming annual general meeting, the register of members of the Company will be closed for the purpose of determining entitlement to the said final dividend from Monday, 18 September 2017 to Wednesday, 20 September 2017, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Friday, 15 September 2017. The proposed final dividend will be paid on Monday, 9 October 2017 to members whose names appear on the register of members on Wednesday, 20 September 2017 following approval at the annual general meeting.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of $552.2 million for the financial year ended 31 March 2017, representing a slight decrease of approximately 1.1% compared with the previous financial year. The decrease was mainly due to decrease of rental income from iSQUARE compared to the previous financial year.

- Net valuation losses on investment properties for the financial year ended 31 March 2017 amounted to $628.3 million, compared with the net valuation gains of $410.5 million for the previous financial year. The valuation changes will only affect the accounting profit or loss but not the cash flow of the Group.

- The Group recorded a loss attributable to equity shareholders of $90.6 million, compared with a profit attributable to equity shareholders of $439.0 million for the previous financial year.

- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately $658.0 million for the financial year ended 31 March 2017, representing a slight decrease of approximately 0.9% compared with the previous financial year. The occupancy rate at 31 March 2017 was approximately 96.8% compared with approximately 96.3% at 31 March 2016.

- The Group's investment properties comprising four floors of Goodluck Industrial Centre in Lai Chi Kok and one floor of a commercial building in Guangzhou in the PRC, continued to generate rental income during the year.

- The total equity for the Group at 31 March 2017 was $14,529.2 million, compared with $15,133.7 million at 31 March 2016.

- On 7 October 2013, Associated International Hotels Limited ("AIHL"), a 50.01% owned subsidiary, entered into a facility agreement with a bank comprising of a 3-year term loan facility of up to $200 million and a 3-year revolving loan facility of up to $100 million both at floating interest rate. On 30 August 2016, AIHL entered into a supplemental agreement with the bank for extension of the facilities for three years to 8 October 2019. AIHL has an option to further extend the facilities for two additional years to 8 October 2021, subject to, among other things, the agreement of the lending bank. At 31 March 2017, the banking facilities were utilised to the extent of $200 million (2016: $200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (2016: 1.3%).

- At 31 March 2017, the total number of employees of the Group, excluding the staff employed by DTZ Cushman & Wakefield Property Management Limited for general building and property management of iSQUARE, was 38 (2016: 39) and the related costs incurred during the year were approximately $26.1 million (2016: $25.9 million).

OUTLOOK

Weak retail segment continues to put downward pressure on the Hong Kong leasing market. With the anticipated increase in new supply of retail premises in the Tsim Sha Tsui area, increased downward pressure on the leasing market is expected in the coming year. Management will closely monitor the market changes and will take appropriate steps to reduce the possible impact on the rental income of the Group. It is anticipated that rental income from iSQUARE and the results from operations of the Group for the coming financial year will be adversely affected.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of members of the Company will be held on Tuesday, 12 September 2017.

For the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 5 September 2017 to Tuesday, 12 September 2017, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Monday, 4 September 2017.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY AND ITS SUBSIDIARIES OF ITS LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the year ended 31 March 2017 complied with all the code provisions, where applicable, set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the deviations as disclosed hereunder:

- Code Provision A.1.8: Appropriate insurance cover in respect of legal action against directors should be arranged

  Currently, the Company does not have insurance cover for legal action against its Directors. The Board believes that with the current risk management and internal control systems and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Despite it, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable.

- Code Provision A.2.1: The roles of chairman and chief executive should be separated and performed by two individuals

  Mr Cheong Hooi Hong is both the Chairman and chief executive of the Company. To avoid concentration of power and authority in any one individual, day-to-day management of the Company's business is shared by Executive Directors whilst formulation of objectives and strategic decisions are collectively made by the Board. In addition, the Board comprises three Independent Non-executive Directors with differing expertise/calibre who can provide a "check and balance" effect on the management through their high attendance at board meetings and therefore ensuring a balance of power. Given consideration to the aforesaid, the Board of Directors is of the view that the current structure does not have any adverse effect on the Company and believes that this structure enables the Group to make and implement decisions promptly and efficiently.

- Code Provision B.1.5: Remuneration details of senior management should be disclosed by band in annual reports

  The remuneration details of the senior management are not disclosed by band in the annual report. To ensure they are remunerated at a reasonable but not excessive rate, none of them is involved in deciding his/her own remuneration or related to the remuneration committee members (who are authorised to collectively determine the remuneration of the senior management based on a number of factors set out in the Company's remuneration policy). The Directors consider that the non-disclosure does not pose any negative impact on the Company. On the contrary, the disclosure of the remuneration details of the senior management may cause undue comparison and discontent among staff members, and would unnecessarily provide highly sensitive and confidential information to competitors and other third parties looking to recruit the senior management. In light of the above, the Directors are of the view that the disclosure of such information would neither provide pertinent information in furtherance of corporate governance, nor be in the interests of the members of the Company.

- Code Provision C.2.5: Issuer should have an internal audit function and review the need for one in case of its absence annually

  At present, the Company does not have an internal audit function. The Board reviewed the need for setting up an internal audit function during the year under review and considered that there was no such an immediate need after taking into account the Group's current circumstances, such as the focused nature and geographical spread of business, the relatively simple operating structure and small size of the Group and the close involvement and supervision of the management in daily operation, which could provide sufficient risk management and internal control for the Group. Despite it, the Board has taken initiatives to promote the adequacy and effectiveness of the risk management and internal control systems by creating a control environment across the Group (such as building up a corporate culture based on sound business ethics and accountability through the implementation of "whistle-blowing" arrangements and procedure manuals with defined roles, responsibilities and reporting lines) and putting control activities in place (such as conducting group-wide risk assessment exercise regularly). In addition, where the external auditor of the Company considers any internal controls that are relevant to the audit of the financial statements, it will report to the Audit Committee any significant deficiencies in internal control identified during the audit.

  In view of the above considerations and the potential cost to be involved, the Board is of the opinion that it is not cost effective to set up and maintain an internal audit function and that the existing control mechanism could justify its absence for the time being. Nonetheless, the Board will review the need for an internal audit function on an annual basis.

- Code Provision F.1.3: The company secretary should report to the board chairman and/or the chief executive

  Instead of reporting to the Chairman (who is also the chief executive of the Company), the company secretary reports directly to the deputy chairman. Since the company secretary is located in the same office as the deputy chairman and they work closely on a day-to-day basis, direct reporting to the deputy chairman can provide for a prompt and timely response to issues which require immediate attention. On the other hand, the Chairman keeps having ongoing discussion and dialogue with the deputy chairman on business affairs, in particular corporate governance and financial issues, which enables him to fully understand the operation of the Company and manage it in an effective manner. Taking into account of the above, the Board considers that the current reporting line is apposite to the Company.

Details of compliance are set out in the Corporate Governance Report contained in the Company's annual report.

ANNUAL REPORT

The Company's annual report containing all information required by the Listing Rules will be despatched to its members in due course.

By order of the Board
Tian Teck Land Limited
Ng Sau Fong
Company Secretary

Hong Kong, 28 June 2017

As at the date of this announcement, Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Miss Cheong Chong Ling are executive directors, Mr Sin Cho Chiu, Charles is a non-executive director, and Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-nam and Mr Tse Pang Yuen are independent non-executive directors.

Note: The translation into Chinese language of this announcement is for reference only. In case of any inconsistency, the English version shall prevail.