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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 2018

(Expressed in Hong Kong dollars)

The Board of Directors is pleased to announce the audited results of the Group for the year ended 31 March 2018. These results have been reviewed with no disagreement by the audit committee of the Company. The figures in respect of this preliminary announcement of the Group's results have been agreed by the Company's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the year.

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 March 2018 \$'000	2017 \$'000
Revenue	3	645,617	673,445
Cost of services		(85,351)	(83,934)
Gross profit		560,266	589,511
Other revenue	5(a)	5,110	5,647
Other net income/(loss)	5(b)	4,089	(2,512)
Administrative expenses		(41,045)	(40,430)
Profit from operations before valuation changes in investment properties		528,420	552,216
Net valuation losses on investment properties		(252,044)	(628,277)
Profit/(loss) from operations after valuation changes in investment properties		276,376	(76,061)
Finance costs	6(a)	(3,140)	(3,374)
Profit/(loss) before taxation	6	273,236	(79,435)
Income tax	7	(85,463)	(90,721)
Profit/(loss) and total comprehensive income for the year		187,773	(170,156)
Attributable to:			
— Equity shareholders of the Company		108,126	(90,612)
— Non-controlling interests		79,647	(79,544)
Profit/(loss) and total comprehensive income for the year		187,773	(170,156)
Earnings/(loss) per share — basic and diluted	9	\$0.23	\$(0.19)

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

Consolidated statement of financial position

	<i>Note</i>	At 31 March 2018	At 31 March 2017
		\$'000	\$'000
Non-current assets			
Fixed assets			
— Investment properties		14,132,602	14,377,471
— Other properties, plant and equipment		68,215	72,420
		14,200,817	14,449,891
Current assets			
Accounts receivable, deposits and prepayments	10	19,276	22,658
Pledged bank deposits		10,295	134,981
Cash and cash equivalents		569,394	430,830
Current tax recoverable		—	315
		598,965	588,784
Current liabilities			
Other payables and accruals	11	27,913	23,358
Deposits received		198,696	198,359
Provision for long service payments		1,485	1,513
Obligations under finance leases		29	29
Current tax payable		14,960	19,915
		243,083	243,174
Net current assets		355,882	345,610
Total assets less current liabilities		14,556,699	14,795,501
Non-current liabilities			
Bank loan — secured		200,000	200,000
Government lease premiums payable		1,857	1,920
Obligations under finance leases		17	46
Deferred tax liabilities		72,190	64,333
		274,064	266,299
NET ASSETS		14,282,635	14,529,202
CAPITAL AND RESERVES			
Share capital		121,830	121,830
Reserves		7,224,347	7,334,597
		7,346,177	7,456,427
Non-controlling interests		6,936,458	7,072,775
TOTAL EQUITY		14,282,635	14,529,202

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 2017, except for the accounting policy changes that have been reflected in the financial statements for the year ended 31 March 2018. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 March 2018 and 2017 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 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 and will deliver the financial statements for the year ended 31 March 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 (3) of the Hong Kong Companies Ordinance.

2. Changes in accounting policies

The HKICPA has issued several 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:

- Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*
- Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

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. However, additional disclosure has been included in the financial statements to satisfy the new disclosure requirements introduced by Amendments to HKAS 7 which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 does not include any customers with whom transactions have exceeded 10% of the Group’s revenue for the year ended 31 March 2018. During the year ended 31 March 2017, the Group includes only one customer with whom transactions have exceeded 10% of the Group’s revenue and revenue from this customer amounted to approximately \$77,251,000.

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 income/(loss)

		Year ended 31 March	
		2018	2017
		\$'000	\$'000
(a)	Other revenue		
	Interest income	4,271	4,047
	Compensation from early termination of lease	273	1,005
	Others	566	595
		<u>5,110</u>	<u>5,647</u>
(b)	Other net income/(loss)		
	Net loss on disposals of fixed assets	(6)	(7)
	Net foreign exchange gain/(loss)	4,095	(2,505)
		<u>4,089</u>	<u>(2,512)</u>

6. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging:

		Year ended 31 March	
		2018	2017
		\$'000	\$'000
(a)	Finance costs		
	Interest on bank loan	2,793	2,304
	Other borrowing costs	250	970
	Interest on government lease premiums payable	97	100
		<u>3,140</u>	<u>3,374</u>
(b)	Other item		
	Depreciation	4,713	7,068

7. Income tax

	Year ended 31 March	
	2018	2017
	\$'000	\$'000
Current tax — Hong Kong profits tax		
Provision for the year	77,444	82,973
Over-provision in respect of prior years	(60)	(92)
	<u>77,384</u>	<u>82,881</u>
Current tax — PRC		
Provision for the year	<u>222</u>	<u>263</u>
Deferred tax		
Changes in fair value of investment properties	65	24
Origination and reversal of temporary differences	<u>7,792</u>	<u>7,553</u>
	<u>7,857</u>	<u>7,577</u>
	<u>85,463</u>	<u>90,721</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2017: 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	
	2018	2017
	\$'000	\$'000
Interim dividend declared and paid of \$0.23 per share (2017: \$0.23 per share)	109,188	109,188
Final dividend proposed after the end of the reporting period of \$0.23 per share (2017: \$0.23 per share)	<u>109,188</u>	<u>109,188</u>
	<u>218,376</u>	<u>218,376</u>

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	
	2018	2017
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.23 per share (2017: \$0.23 per share)	<u>109,188</u>	<u>109,188</u>

9. Earnings/(loss) per share — basic and diluted

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of \$108,126,000 (2017: a loss of \$90,612,000) and 474,731,824 (2017: 474,731,824) shares in issue during the year. There were no potential dilutive shares in existence in 2017 and 2018.

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	
	2018	2017
	\$'000	\$'000
Current	10,024	10,051
Less than 1 month past due	1,228	1,190
1 to 3 months past due	282	779
More than 3 months but less than 12 months past due	13	16
More than 12 months past due	4	—
Amounts past due	1,527	1,985
Total accounts receivable, net of allowance for bad and doubtful debts	11,551	12,036
Deposits and prepayments	7,725	10,622
	19,276	22,658

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

All of the other payables and accruals are expected to be settled within 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 2018 (2017: \$0.23 per share). As the Company paid an interim dividend of \$0.23 per share during the year (2017: \$0.23 per share), the total distribution will be \$0.46 per share for the year (2017: \$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 Tuesday, 18 September 2018 to Thursday, 20 September 2018, 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, 17 September 2018. The proposed final dividend will be paid on Tuesday, 9 October 2018 to members whose names appear on the register of members on Thursday, 20 September 2018 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 \$528.4 million for the financial year ended 31 March 2018, representing a decrease of approximately 4.3% compared with the previous financial year. The decrease was mainly due to decrease in rental income from iSQUARE compared to the previous financial year.
- Net valuation losses on investment properties for the financial year ended 31 March 2018 amounted to \$252.0 million, compared with the net valuation losses of \$628.3 million for the previous financial year. The valuation losses will only affect the accounting profit or loss but not the cash flow of the Group.
- The Group recorded a profit attributable to equity shareholders of \$108.1 million, compared with a loss attributable to equity shareholders of \$90.6 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 \$628.8 million for the financial year ended 31 March 2018, representing a decrease of approximately 4.4% compared with the previous financial year. The occupancy rate at 31 March 2018 was approximately 98.3% compared with approximately 96.8% at 31 March 2017.
- 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 2018 was \$14,282.6 million, compared with \$14,529.2 million at 31 March 2017.

- 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 2018, the banking facilities were utilised to the extent of \$200 million (2017: \$200 million) and the Group’s gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (2017: 1.4%).
- At 31 March 2018, the total number of employees of the Group, excluding the staff employed by Cushman & Wakefield Property Management Limited (formerly known as DTZ Cushman & Wakefield Property Management Limited) for general building and property management of iSQUARE, was 38 (2017: 38) and the related costs incurred during the year were approximately \$26.4 million (2017: \$26.1 million).

OUTLOOK

Recent reports on the Hong Kong retail market have indicated a strong consumer spending, reflecting favourable retail sentiments and optimistic business environment. Nevertheless, management still expects that the leasing market to be challenging due to the anticipated increase in new supply of retail premises in the Tsim Sha Tsui area. Management will adopt appropriate leasing strategies to minimise the likely impact on rental income from iSQUARE. 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 Wednesday, 12 September 2018.

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 Wednesday, 5 September 2018 to Wednesday, 12 September 2018, 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 Tuesday, 4 September 2018.

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 2018 complied with all the code provisions, where applicable, set out in the Corporate Governance Code in Appendix 14 to 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 Independent Non-executive Directors (“INEDs”) 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 A.5.1: Issuer should establish a nomination committee which is chaired by the chairman of the board or an INED and comprises a majority of its members as INEDs

Following the passing away of Mr Yau Allen Lee-nam on 25 July 2017, the nomination committee then only consisted of 4 members (including 2 Executive Directors and 2 INEDs) which resulted in the nomination committee not comprising a majority of members who were INEDs as required under this code provision.

To rectify this situation, Mr Wong Yiu Tak was appointed as an INED and a member of the nomination committee on 3 October 2017. Subsequent to the appointments, the Company complies with this code provision as the nomination committee comprises 5 members with a majority of whom as INEDs since then.

- 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 in March 2018 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by its Directors (“Model Code”). Specific enquiry has been made to all Directors of the Company as to whether they have complied with or whether there has been any non-compliance with the Model Code, and all Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2018.

COMPLIANCE WITH RULES 3.10(1) AND 3.10A OF THE LISTING RULES

Following the passing away of Mr Yau Allen Lee-nam on 25 July 2017, the Board then comprised eight members (including five Executive Directors, one Non-executive Director and two INEDs) and the Company was therefore not in compliance with Rules 3.10(1) and 3.10A of the Listing Rules, which respectively stipulate that every board of directors of a listed company must include at least 3 INEDs, and a listed company must appoint INEDs representing at least one-third of its board of directors.

In order to fulfil the said requirements, Mr Wong Yiu Tak was appointed as an INED of the Company with effect from 3 October 2017 (which is within the 3-month grace period in accordance with Rule 3.11 of the Listing Rules). Subsequent to his appointment, the number of INEDs of the Company meets the minimum number as required under the said Rule 3.10(1) and represents one-third of the Board as required under the said Rule 3.10A.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (http://tll.etnet.com.hk/eng/ca_calendar.php). The annual report for the year ended 31 March 2018 which contains all information required by the Listing Rules will be despatched to members of the Company and made available on the above websites in due course.

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

Hong Kong, 27 June 2018

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 Wong Yiu Tak 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.