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 Interim Results for the six months ended 30 September 2018

(Expressed in Hong Kong dollars)

The Board of Directors is pleased to announce the unaudited consolidated results of the Group for the half year ended 30 September 2018. These results have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by KPMG, certified public accountants in Hong Kong, and the audit committee with no disagreement. The unmodified review report of the auditor is included in the interim report to be sent to members of the Company.

Consolidated statement of profit or loss and other comprehensive income — unaudited

	Note	**Six months ended 30 September 2018** *$'000*	2017 *$'000*
Revenue	3	**315,352**	328,800
Cost of services		**(44,502)**	(42,467)
Gross profit		**270,850**	286,333
Other revenue	5(a)	**4,959**	2,134
Other net (loss)/income	5(b)	**(3,743)**	1,727
Administrative expenses		**(17,852)**	(17,255)
Profit from operations before valuation changes in investment properties		**254,214**	272,939
Net valuation losses on investment properties		**(16,920)**	(383,275)
Profit/(loss) from operations after valuation changes in investment properties		**237,294**	(110,336)
Finance costs	6(a)	**(2,351)**	(1,366)
Profit/(loss) before taxation	6	**234,943**	(111,702)
Income tax	7	**(41,350)**	(44,491)
Profit/(loss) and total comprehensive income for the period		**193,593**	(156,193)
Attributable to:			
— Equity shareholders of the Company		**97,281**	(71,696)
— Non-controlling interests		**96,312**	(84,497)
Profit/(loss) and total comprehensive income for the period		**193,593**	(156,193)
Earnings/(loss) per share — basic and diluted	9	**$0.20**	$(0.15)

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

Consolidated statement of financial position — unaudited

	Note	**At 30 September 2018**		At 31 March 2018	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**14,112,070**		14,132,602
— Other properties, plant and equipment			**66,206**		68,215
			14,178,276		14,200,817
Current assets					
Accounts receivable, deposits and prepayments	10	**20,873**		19,276	
Pledged bank deposits		**15,561**		10,295	
Cash and cash equivalents		**808,658**		569,394	
		845,092		598,965	
Current liabilities					
Other payables and accruals	11	**33,151**		27,913	
Deposits received		**202,621**		198,696	
Provision for long service payments		**1,519**		1,485	
Obligations under finance leases		**29**		29	
Dividends payable		**215,370**		–	
Current tax payable		**31,878**		14,960	
		484,568		243,083	
Net current assets			**360,524**		355,882
Total assets less current liabilities			**14,538,800**		14,556,699
Non-current liabilities					
Bank loan — secured		**200,000**		200,000	
Government lease premiums payable		**1,857**		1,857	
Obligations under finance leases		**3**		17	
Deferred tax liabilities		**76,082**		72,190	
			277,942		274,064
NET ASSETS			**14,260,858**		14,282,635
CAPITAL AND RESERVES					
Share capital			**121,830**		121,830
Reserves			**7,212,440**		7,224,347
			7,334,270		7,346,177
Non-controlling interests			**6,926,588**		6,936,458
TOTAL EQUITY			**14,260,858**		14,282,635

Notes:

1. Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2019. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The financial information relating to the financial year ended 31 March 2018 that is included in this preliminary announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Changes in accounting policies

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group:

— HKFRS 9 (2014), *Financial instruments*

— HKFRS 15, *Revenue from contracts with customers*

— Amendments to HKAS 40, *Investment property: Transfers of investment property*

— HK(IFRIC) Interpretation 22, *Foreign currency transactions and advance consideration*

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 in the interim financial report.

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 six months ended 30 September 2018. During the six months ended 30 September 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 $36,404,000.

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)/income

		Six months ended 30 September	
		2018	2017
		$'000	*$'000*
(a)	**Other revenue**		
	Interest income	**4,921**	1,840
	Compensation from early termination of lease	**–**	273
	Others	**38**	21
		4,959	2,134
(b)	**Other net (loss)/income**		
	Net foreign exchange (loss)/gain	**(3,742)**	1,726
	Net (loss)/gain on disposals of fixed assets	**(1)**	1
		(3,743)	1,727

6. Profit/(loss) before taxation

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

		Six months ended 30 September	
		2018	2017
		$'000	*$'000*
(a)	**Finance costs**		
	Interest on bank loan	**2,204**	1,218
	Other borrowing costs	**125**	125
	Interest on government lease premiums payable	**22**	23
		2,351	1,366
(b)	**Other item**		
	Depreciation	**2,322**	2,370

7. Income tax

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Current tax		
Hong Kong profits tax	**37,388**	40,311
PRC tax	**70**	140
	37,458	40,451
Deferred tax		
Changes in fair value of investment properties	**(226)**	78
Origination and reversal of temporary differences	**4,118**	3,962
	3,892	4,040
	41,350	44,491

The provision for Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 September 2018. 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 interim period

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Interim dividend declared after the interim period of $0.22 per share (2017: $0.23 per share)	**104,441**	109,188

The interim dividend declared after the interim 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 during the interim period

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of $0.23 per share (year ended 31 March 2017: $0.23 per share)	**109,188**	109,188

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 $97,281,000 (2017: a loss of $71,696,000) and 474,731,824 (2017: 474,731,824) shares in issue during the period. There were no potential dilutive shares in existence during the six months ended 30 September 2018 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 30 September 2018	At 31 March 2018
	$'000	*$'000*
Current	**11,282**	10,024
Less than 1 month past due	**1,363**	1,228
1 to 3 months past due	**447**	282
More than 3 months but less than 12 months past due	**6**	13
More than 12 months past due	**8**	4
Amounts past due	**1,824**	1,527
Total accounts receivable, net of allowance for bad and doubtful debts	**13,106**	11,551
Deposits and prepayments	**7,767**	7,725
	20,873	19,276

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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved that an interim dividend of $0.22 per share (2017: $0.23 per share) will be paid on Friday, 11 January 2019 to members whose names appear on the register of members of the Company on Wednesday, 19 December 2018. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Monday, 17 December 2018 to Wednesday, 19 December 2018, both days inclusive, during which period no transfer of shares will be registered. 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, 14 December 2018.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of $254.2 million for the half year ended 30 September 2018, representing a decrease of approximately 6.9% compared with the corresponding period of last year. The decrease was mainly due to decrease in rental income from iSQUARE compared to the corresponding period of last year.

- Net valuation losses on investment properties for the half year ended 30 September 2018 amounted to $16.9 million, compared with the net valuation losses of $383.3 million for the corresponding period of last 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 $97.3 million, compared with a loss attributable to equity shareholders of $71.7 million for the corresponding period of last year.

- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately $307.2 million for the half year ended 30 September 2018, representing a decrease of approximately 4.1% compared with the corresponding period of last year. The occupancy rate at 30 September 2018 was approximately 97.4% (30 September 2017: 97.4%).

- 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 period.

- The total equity for the Group at 30 September 2018 was $14,260.9 million, compared with $14,282.6 million at 31 March 2018.

- 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 30 September 2018, the banking facilities were utilised to the extent of $200 million (31 March 2018: $200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (31 March 2018: 1.4%).

- At 30 September 2018, the total number of employees of the Group, excluding the staff employed by Cushman & Wakefield Property Management Limited for general building and property management of iSQUARE, was 38 (30 September 2017: 37) and the related costs incurred during the period were approximately $11.5 million (30 September 2017: $11.0 million).

- Save as disclosed in this announcement, there has been no further material change to the information contained in the Company's annual report for the year ended 31 March 2018 which necessitates additional disclosure to that made herein.

OUTLOOK

With the downward pressure on the Hong Kong leasing market continuing, it is anticipated that rental income from iSQUARE and the results from operations of the Group for the current financial year will decrease. Management will continue to evaluate the impact on iSQUARE and adopt appropriate leasing strategies.

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 six months ended 30 September 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 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 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 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 six months ended 30 September 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://ttll.etnet.com.hk/eng/ca_calendar.php). The interim report for the six months ended 30 September 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, 28 November 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.