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 2021

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the unaudited consolidated results of the Group for the half year ended 30 September 2021. 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 2021 $'000**	2020 $'000
Revenue	3	**164,209**	248,012
Cost of services		**(45,620)**	(55,541)
Gross profit		**118,589**	192,471
Other revenue	5(a)	**1,807**	5,496
Other net income	5(b)	**576**	1,488
Administrative expenses		**(19,349)**	(16,641)
Profit from operations before valuation changes in investment properties		**101,623**	182,814
Valuation losses on investment properties		**(574,098)**	(786,031)
Loss from operations after valuation changes in investment properties		**(472,475)**	(603,217)
Finance costs	6(a)	**(1,038)**	(1,818)
Loss before taxation	6	**(473,513)**	(605,035)
Income tax	7	**(16,555)**	(28,763)
Loss and total comprehensive income for the period		**(490,068)**	(633,798)
Attributable to:			
— Equity shareholders of the Company		**(244,431)**	(315,770)
— Non-controlling interests		**(245,637)**	(318,028)
Loss and total comprehensive income for the period		**(490,068)**	(633,798)
Loss per share – basic and diluted	9	**$(0.51)**	$(0.67)

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 2021**		At 31 March 2021	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**10,168,391**		10,740,522
— Other properties, plant and equipment			**56,383**		58,245
			10,224,774		10,798,767
Current assets					
Accounts receivable, deposits and prepayments	10	**168,761**		190,846	
Current tax recoverable		**452**		8,468	
Pledged bank deposits		**9,332**		21,801	
Cash and cash equivalents		**558,701**		430,918	
		737,246		652,033	
Current liabilities					
Other payables and accruals	11	**34,962**		38,341	
Deposits received		**150,854**		154,626	
Provision for long service payments		**1,487**		1,505	
Bank loan — secured		**-**		200,000	
Dividends payable		**37,979**		–	
Dividends payable to non-controlling interests		**34,194**		–	
Current tax payable		**4,278**		6	
		263,754		394,478	
Net current assets			**473,492**		257,555
Total assets less current liabilities			**10,698,266**		11,056,322
Non-current liabilities					
Bank loan — secured		**200,000**		–	
Government lease premiums payable		**1,649**		1,649	
Deferred tax liabilities		**101,671**		97,486	
			303,320		99,135
NET ASSETS			**10,394,946**		10,957,187
CAPITAL AND RESERVES					
Share capital			**121,830**		121,830
Reserves			**5,265,149**		5,547,559
			5,386,979		5,669,389
Non-controlling interests			**5,007,967**		5,287,798
TOTAL EQUITY			**10,394,946**		10,957,187

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 2021, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2022. 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 2021 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 2021 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 amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. However, none of these developments are relevant to the Group.

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 two customers with whom transactions have exceeded 10% of the Group's revenue during the six months ended 30 September 2021. Revenue from these customers amounted to approximately \$19,660,000 and \$18,961,000 respectively. During the six months ended 30 September 2020, the Group did not include any customers with whom transactions had exceeded 10% of the Group's revenue.

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

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
(a) Other revenue		
Interest income	**1,795**	4,683
Compensation from early termination of leases	**–**	743
Others	**12**	70
	1,807	5,496
(b) Other net income		
Net foreign exchange gain	**581**	1,492
Net loss on disposals of fixed assets	**(5)**	(4)
	576	1,488

6. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
(a) Finance costs		
Interest on bank loan	**893**	1,672
Other borrowing costs	**125**	125
Interest on government lease premiums payable	**20**	21
	1,038	1,818
(b) Other items		
Depreciation charge	**2,134**	2,158
Impairment losses on accounts receivable	**1,551**	13,957

7. Income tax

	Six months ended 30 September	
	2021	2020
	$'000	*$'000*
Current tax		
Hong Kong Profits Tax	**12,288**	24,652
PRC tax	**82**	85
	12,370	24,737
Deferred tax		
Changes in fair value of investment properties	**(6)**	(118)
Origination and reversal of temporary differences	**4,191**	4,144
	4,185	4,026
	16,555	28,763

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 September 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first $2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020. 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	
	2021	2020
	$'000	*$'000*
Interim dividend declared after the interim period of $0.08 per share (2020: $0.10 per share)	**37,979**	47,473

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	
	2021	2020
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of $0.08 per share (year ended 31 March 2020: $0.10 per share)	**37,979**	47,473

9. **Loss per share – basic and diluted**

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of $244,431,000 (2020: $315,770,000) and 474,731,824 (2020: 474,731,824) shares in issue during the period. There were no potential dilutive shares in existence during the six months ended 30 September 2021 and 2020.

10. **Accounts receivable, deposits and prepayments**

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

	At 30 September 2021 *$'000*	At 31 March 2021 *$'000*
Current (Note)	**120,613**	143,635
Less than 1 month past due	**10,821**	11,618
1 to 3 months past due	**18,410**	18,364
More than 3 months but less than 12 months past due	**6,358**	9,602
More than 12 months past due	**1,217**	399
Amounts past due	**36,806**	39,983
Total accounts receivable, net of allowance for credit losses	**157,419**	183,618
Deposits and prepayments	**11,342**	7,228
	168,761	190,846

Note: The amount includes the receivable for lease incentives of $119,942,000 (31 March 2021: $143,457,000) which is not past due. The movement in the said receivable during the period will only affect the accounting revenue but not the contractual cash flows of the Group.

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 $0.08 per share (2020: $0.10 per share) will be paid on Friday, 14 January 2022 to members whose names appear on the register of members of the Company on Friday, 17 December 2021. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Wednesday, 15 December 2021 to Friday, 17 December 2021, 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 Tuesday, 14 December 2021.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of $101.6 million for the half year ended 30 September 2021, representing a decrease of approximately 44.4% compared with the corresponding period of last year. The decrease was mainly due to amortisation of the rental concessions granted to most of the tenants of iSQUARE since the outbreak of COVID-19. All rental concessions are amortised over the remaining terms of the respective leases in accordance with accounting standard. In addition, the reduction in both iSQUARE occupancy rate and rental further reduced the rental income from iSQUARE for the period under review.

- Valuation losses on investment properties for the half year ended 30 September 2021 amounted to $574.1 million, compared with the valuation losses of $786.0 million for the corresponding period of last year. The valuation losses will only affect the accounting profit or loss but not the cash flows of the Group.

- The Group recorded a loss attributable to equity shareholders of $244.4 million for the half year ended 30 September 2021, compared with a loss attributable to equity shareholders of $315.8 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 $159.7 million for the half year ended 30 September 2021, representing a decrease of approximately 34.1% compared with the corresponding period of last year. The occupancy rate at 30 September 2021 was approximately 76.2% (30 September 2020: 82.8%).

- 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 2021 was $10,394.9 million, compared with $10,957.2 million at 31 March 2021.

- 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. Following the first supplemental agreement for extension of the facilities to 8 October 2021, AIHL entered into the second supplemental agreement with the bank on 23 August 2021 for extension of the facilities for three years to 8 October 2024. AIHL has an option to further extend the facilities for two additional years to 8 October 2026, subject to, among other things, the agreement of the lending bank. At 30 September 2021, the banking facilities were utilised to the extent of $200 million (31 March 2021: $200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.9% (31 March 2021: 1.8%).

- At 30 September 2021, 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 2020: 39) and the related costs incurred during the period were approximately $13.8 million (30 September 2020: $11.1 million). The increase in the related costs was mainly attributable to the wage subsidy under the Employment Support Scheme of the Hong Kong government granted in the corresponding period of last year.

- 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 2021 which necessitates additional disclosure to that made herein.

OUTLOOK

Despite various supportive factors to the local retail sector in recent months including the stabilising of local pandemic, the growing of employment and the introduction of the Consumption Voucher Scheme, the management expects these positive impacts to be short term and would not have an immediate stimulating effect on the local leasing market. As a result, the rental income from iSQUARE and the results from operations of the Group for the second half year are expected to continue to be adversely affected.

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 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2021 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 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 2021 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 biannually). 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 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (ttll.etnet.com.hk/eng/ca_calendar.php). The interim report for the six months ended 30 September 2021 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, 26 November 2021

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, 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.