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# Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

## FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2017

### RESULTS

I am pleased to report that the group's revenue for the year ended 31st March 2017 increased by 26% to HK\$742.5 million (2016: HK\$588.6 million). The group's profit before income tax for the year ended 31st March 2017 increased by 7% to HK\$204.7 million (2016: HK\$191.1 million). The increase in revenue and profit before income tax was mainly due to improved property sales.

The group's profit attributable to equity holders for the year ended 31st March 2017 decreased by 13% to HK\$196.2 million (2016: HK\$226.3 million), after an income tax expense for the year ended 31st March 2017 as compared to an income tax credit recorded last year.

### DIVIDEND

An interim dividend of HK11 cents per share was paid on 5th January 2017. The board has recommended the payment of a final dividend of HK21 cents per share to the shareholders on the register of members of the company on 7th September 2017. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 19th September 2017 and the total dividend for the year will be HK32 cents per share, representing 7% increase over last year.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2017

	Note	2017 HK\$ Million	2016 HK\$ Million
Revenue	2	742.5	588.6
Cost of sales		<u>(651.0)</u>	<u>(518.3)</u>
Gross profit		91.5	70.3
Other income		27.1	35.8
Administrative expenses		<u>(53.1)</u>	<u>(54.2)</u>
Operating profit	3	65.5	51.9
Finance costs		–	(3.3)
Share of results of associates, net of tax		<u>139.2</u>	<u>142.5</u>
Profit before income tax		204.7	191.1
Income tax (expense)/credit	4	<u>(8.5)</u>	<u>35.2</u>
<b>Profit attributable to equity holders of the company</b>		<b><u>196.2</u></b>	<b><u>226.3</u></b>
Dividends	5	<u>197.6</u>	<u>185.2</u>
Earnings per share (basic and diluted)	6	<u>\$0.32</u>	<u>\$0.37</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2017

	2017 HK\$ Million	2016 HK\$ Million
Profit for the year	196.2	226.3
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive (loss)/income of an associate	(2.3)	1.6
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>		
Change in fair value on available-for-sale financial assets	(11.1)	(18.6)
Exchange differences	0.4	–
	<u>(13.0)</u>	<u>(17.0)</u>
Total comprehensive income for the year and attributable to equity holders of the company	<u>183.2</u>	<u>209.3</u>

**CONSOLIDATED BALANCE SHEET**  
As at 31st March 2017

	Note	2017 HK\$ Million	2016 HK\$ Million
<b>Non-current assets</b>			
Property, plant and equipment		11.8	11.4
Associates		118.9	113.1
Amount due from an associate		24.6	–
Available-for-sale financial assets		71.6	82.7
Deferred income tax assets		40.0	40.0
Mortgage loans receivable		0.4	0.4
		<u>267.3</u>	<u>247.6</u>
<b>Current assets</b>			
Properties for sale		1,704.8	2,323.6
Properties under development		2,275.5	2,042.4
Debtors and other receivables	7	552.6	15.6
Amounts due from associates		0.7	25.3
Bank balances and cash		2,669.4	2,754.9
		<u>7,203.0</u>	<u>7,161.8</u>
<b>Current liabilities</b>			
Creditors and other payables	8	157.3	105.5
Borrowings		189.1	–
Current income tax liabilities		64.4	52.7
		<u>410.8</u>	<u>158.2</u>
Net current assets		<u>6,792.2</u>	<u>7,003.6</u>
Total assets less current liabilities		<u>7,059.5</u>	<u>7,251.2</u>
<b>Non-current liabilities</b>			
Borrowings		–	127.5
Deferred income tax liabilities		116.0	178.2
		<u>116.0</u>	<u>305.7</u>
Net assets		<u>6,943.5</u>	<u>6,945.5</u>
<b>Equity</b>			
Share capital		61.7	61.7
Reserves		6,752.1	6,766.5
Proposed final dividend		129.7	117.3
Total equity		<u>6,943.5</u>	<u>6,945.5</u>

Notes:

## 1. Basis of preparation and accounting policies

### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value. The accounting policies are consistent with those as described in the group’s annual consolidated financial statements for the year ended 31st March 2016 except for the adoption of certain new standard, amendments to the existing standards and improvements in note 1(b).

### (b) New standard, amendments to existing standards and improvements effective in 2016/17 and adopted by the group

During the year, the group adopted the following new standard, amendments to the existing standards and improvements which are effective in 2016/17:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The adoption of the new standard, amendments and improvements does not have any significant change to the accounting policies or any significant effect on the results and financial position of the group.

## 2. Revenue and segment information

The group is principally engaged in property investment and development, investment holding and property management.

Segment information is presented on the same basis as that used by the directors to assess the performance of each reporting segment.

(a) *Revenue and profit attributable to equity holders of the company*

For the year ended 31st March 2017

	<b>Property development and leasing</b> <i>HK\$ Million</i>	<b>Property management</b> <i>HK\$ Million</i>	<b>Hotel operation</b> <i>HK\$ Million</i>	<b>Investment holding</b> <i>HK\$ Million</i>	<b>Total</b> <i>HK\$ Million</i>
Revenue	<u>729.9</u>	<u>12.6</u>	<u>–</u>	<u>–</u>	<u>742.5</u>
Segment results and operating profit	<u>43.7</u>	<u>2.6</u>	<u>–</u>	<u>19.2</u>	65.5
Share of results of associates, net of tax	1.1	–	138.1	–	<u>139.2</u>
Profit before income tax					204.7
Income tax expense	(8.1)	(0.4)	–	–	<u>(8.5)</u>
Profit attributable to equity holders of the company					<u>196.2</u>

(a) Revenue and profit attributable to equity holders of the company (Continued)

For the year ended 31st March 2016

	<b>Property development and leasing</b> <i>HK\$ Million</i>	<b>Property management</b> <i>HK\$ Million</i>	<b>Hotel operation</b> <i>HK\$ Million</i>	<b>Investment holding</b> <i>HK\$ Million</i>	<b>Total</b> <i>HK\$ Million</i>
Revenue	<u>578.5</u>	<u>10.1</u>	<u>–</u>	<u>–</u>	<u>588.6</u>
Segment results and operating profit	<u>14.6</u>	<u>1.8</u>	<u>–</u>	<u>35.5</u>	51.9
Finance costs	(3.3)	–	–	–	(3.3)
Share of results of associates, net of tax	2.9	–	139.6	–	<u>142.5</u>
Profit before income tax					191.1
Income tax credit/(expense)	35.5	(0.3)	–	–	<u>35.2</u>
Profit attributable to equity holders of the company					<u>226.3</u>

(b) *Total assets and liabilities*

As at 31st March 2017

	<b>Property development and leasing</b> <i>HK\$ Million</i>	<b>Property management</b> <i>HK\$ Million</i>	<b>Hotel operation</b> <i>HK\$ Million</i>	<b>Investment holding</b> <i>HK\$ Million</i>	<b>Total</b> <i>HK\$ Million</i>
Segment assets	4,584.2	68.2	–	2,673.7	7,326.1
Associates	<u>28.5</u>	<u>–</u>	<u>123.9</u>	<u>(8.2)</u>	<u>144.2</u>
Total assets					7,470.3
Segment liabilities	449.6	67.8	–	9.4	<u>526.8</u>
Net assets					<u>6,943.5</u>

As at 31st March 2016

	<b>Property development and leasing</b> <i>HK\$ Million</i>	<b>Property management</b> <i>HK\$ Million</i>	<b>Hotel operation</b> <i>HK\$ Million</i>	<b>Investment holding</b> <i>HK\$ Million</i>	<b>Total</b> <i>HK\$ Million</i>
Segment assets	4,433.0	61.7	–	2,776.3	7,271.0
Associates	<u>27.0</u>	<u>–</u>	<u>119.2</u>	<u>(7.8)</u>	<u>138.4</u>
Total assets					7,409.4
Segment liabilities	393.0	61.5	–	9.4	<u>463.9</u>
Net assets					<u>6,945.5</u>

**3. Operating profit**

	<b>2017</b> <i>HK\$ Million</i>	<b>2016</b> <i>HK\$ Million</i>
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Operating profit is stated after charging the following:

Cost of property sales	618.8	485.8
Depreciation	<u>0.8</u>	<u>0.7</u>

#### 4. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

	<b>2017</b> <i>HK\$ Million</i>	<b>2016</b> <i>HK\$ Million</i>
Current income tax		
Hong Kong profits tax	70.7	52.8
Deferred income tax	(62.2)	(88.0)
	<u>8.5</u>	<u>(35.2)</u>

#### 5. Dividends

	<b>2017</b> <i>HK\$ Million</i>	<b>2016</b> <i>HK\$ Million</i>
Interim, paid, of HK11 cents (2016: HK11 cents) per ordinary share	67.9	67.9
Final, proposed, of HK21 cents (2016: HK19 cents) per ordinary share	129.7	117.3
	<u>197.6</u>	<u>185.2</u>

#### 6. Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK\$196.2 million (2016: HK\$226.3 million) and ordinary shares in issue of 617,531,425 (2016: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2016: Nil).

#### 7. Debtors and other receivables

	<b>2017</b> <i>HK\$ Million</i>	<b>2016</b> <i>HK\$ Million</i>
Trade debtors, aged 0-3 months	539.2	5.6
Other receivables, deposits and prepayments	13.4	10.0
	<u>552.6</u>	<u>15.6</u>

Debtors, other receivables, deposits and prepayments are mainly denominated in Hong Kong dollars.

Credit terms given to customers vary and generally range from 3 to 6 months.

As at 31st March 2017, trade debtors of HK\$539.2 million (2016: HK\$5.6 million) were fully performing.

As at 31st March 2017, no trade debtor was impaired (2016: Nil).

## 8. Creditors and other payables

	<b>2017</b> <i>HK\$ Million</i>	<b>2016</b> <i>HK\$ Million</i>
Creditors, aged 0-3 months	30.1	6.4
Other payables, deposits and accruals	127.2	99.1
	<u>157.3</u>	<u>105.5</u>

The creditors, other payables, deposits and accruals are mainly denominated in Hong Kong dollars.

## BUSINESS REVIEW

### Property Development

Superstructure work of our Repulse Bay site is in its final stage. Preparation work for occupation permit inspection is in progress. The site commands spectacular sea views over the Repulse Bay against a backdrop of mountain greenery. This project has been earmarked for a super luxurious residential development in the vicinity and is scheduled for completion in the second half of 2017.

Metropole Square, our development in Sha Tin, was converted from industrial use into office and shop uses with the Government's Special Waiver for Conversion in late 2014. Upgrading of the building can achieve higher return and enhance occupancy. Conveniently located adjacent to Shek Mun MTR station with views towards Shing Mun River, Metropole Square attracts buyers and tenants looking for premium office space in the district. With increase in office property prices in the core business areas, more buyers are considering moving to decentralized locations. Recent sales performance has been encouraging amid optimistic market sentiment.

As the US economy is improving, superstructure work of our French Valley Airport Center project in California has begun in June 2017.

### Hotel

Sheraton-Hong Kong Hotel, in which the group has 35% interest, enjoys a reputation as one of the most well-respected 5-star hotel in Hong Kong. It managed to maintain its competitiveness and delivered satisfactory performance during the year. The whole hotel shopping mall, which has been leased by Sogo since 2014, continued to generate high steady rental income for the hotel. We have seen a rebound of visitor arrivals in Hong Kong in recent months. While the situation in the tourism and other related industries has become more stable, the outlook for the coming year remains challenging.

## ASSETS VALUE

The group has equity accounted for its interest in Sheraton-Hong Kong Hotel, which has adopted the cost model for its hotel land and buildings which are stated at cost less accumulated depreciation, in accordance with the current accounting standards.

In order to fully reflect the underlying economic value of the group's hotel properties, the group considers it appropriate also to present to shareholders, as set out below, supplementary information on the group's statement of net assets on the basis that the group were to state these hotel properties at their open market valuations as at 31st March 2017.

	<b>2017</b> (Unaudited) <i>HK\$ Million</i>	<b>2016</b> (Unaudited) <i>HK\$ Million</i>
Non-current assets, including interest in associates	267.3	247.6
Add: Attributable revaluation surplus relating to hotel properties <sup>(1)</sup>	<u>3,174.4</u>	<u>3,227.8</u>
	3,441.7	3,475.4
Current assets	7,203.0	7,161.8
Current liabilities	<u>(410.8)</u>	<u>(158.2)</u>
Net current assets	<u>6,792.2</u>	<u>7,003.6</u>
Total assets less current liabilities	10,233.9	10,479.0
Non-current liabilities	<u>(116.0)</u>	<u>(305.7)</u>
Net assets as if the hotel properties were stated at open market value	<u>10,117.9</u>	<u>10,173.3</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>\$16.38</u>	<u>\$16.47</u>

<sup>(1)</sup> Based on open market valuations as at 31st March 2017 and 2016 respectively, carried out by DTZ Cushman & Wakefield Limited, an independent firm of professional valuers.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associates.

At 31st March 2017, the group's cash net of borrowings was HK\$2,480.3 million as compared with HK\$2,627.4 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$302.0 million. All the group's borrowings were denominated in United States dollars. The US dollar loans are directly tied in with the business of the group's United States operations, and therefore these loans are substantially hedged by assets in the same currency.

As at year end, all the group's borrowings were payable within one year.

The group strives to maintain its gearing ratio, which is calculated as the ratio of the bank borrowings to equity, at a low level. It was 2.7% at 31st March 2017 as compared with 1.8% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2017 amounted to HK\$70.2 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group are adequate to meet the anticipated working capital requirement in the coming year.

## **EMPLOYEES**

The group, excluding associates, employs a total of 209 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$63.2 million for the year ended 31st March 2017. The group understands that employees are valuable assets. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme. The group also provides education subsidies to eligible employees.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The group has capital commitments in respect of available-for-sale financial assets and properties as at 31st March 2017 of HK\$147.5 million. The group does not have any contingent liabilities as at 31st March 2017.

## **BUSINESS STRATEGY**

The group has been pursuing to build and manage quality properties mainly in Hong Kong, with focuses on luxury residential properties in recent years, delivering attractive and sustainable returns to our shareholders.

The group with its strong financials and past history in the business which allow it to identify and to acquire high potential new projects into our land bank at appropriate timing, taking account of the market outlook, with insights into the likely impact and with regard to market developments to achieve its long term goals.

## **PROSPECTS**

The recent growth momentum in Hong Kong economy is expected to continue in 2017, attributable to an improved global economic outlook and the Mainland's sustainable economic growth. Assuming a gradual normalization of US interest rates, the expected increases in local interest rates in the coming year should be manageable. Despite the several rounds of property cooling measures introduced by the Government, the local property market continues to benefit from a tight supply and solid fundamentals.

In the next few years, the supply of residential flats is expected to increase substantially. Abundant supply would affect mass residential prices. Luxury residential prices, with the scarcity of new supply particularly in prime locations, would remain stable. We are confident that our Repulse Bay project will achieve high return for our shareholders.

The group has a strong balance sheet with ample cash on hand. As the Government has increased land supply under its Land Sale Programme, we will continue to pursue opportunities to replenish our land bank with development potential.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The company did not redeem any of its shares during the year. Neither the company nor any of its subsidiaries purchased or sold any of the company's shares during the year.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the group's consolidated financial statements for the year ended 31st March 2017, including the accounting principles and practices adopted by the group, in conjunction with the company's external auditor and internal auditor.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the group's consolidated balance sheet, consolidated statement of comprehensive income and consolidated income statement, and the related notes thereto for the year ended 31st March 2017 as set out in the preliminary announcement have been agreed by the group's auditor, PricewaterhouseCoopers, to the amounts set out in the group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the year, the company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except in relation to the followings:

- (1) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The company does not have a separate Chairman and Chief Executive Officer and Mr. David Pun Chan currently holds both positions. The board considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the company's strategies to grasp business opportunities efficiently and promptly. Such arrangement, which has been adopted by many local and international corporations, enables the company to meet the rapidly changing business environment which needs quicker decision making to achieve business efficiency.

- (2) Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at an annual general meeting of the company in accordance with the company's Bye-laws.

- (3) Under the second part of code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Every director of the company, including those appointed for a specific term (save for any chairman or managing director under the company's Private Act which was enacted in Bermuda in 1990), shall be subject to retirement by rotation at least once every three years. Pursuant to section 4(g) of the Private Act of the company, any chairman or any managing director of the company shall not be subject to retirement by rotation under the Bye-laws.

Detailed information of the company's compliance of the CG Code will be set out in the Corporate Governance Report contained in the 2017 Annual Report.

## **ANNUAL GENERAL MEETING**

The 2017 Annual General Meeting will be held on 24th August 2017. The Notice of Annual General Meeting will be published and dispatched to the shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed during the following periods:

- (1) from Monday, 21st August 2017 to Thursday, 24th August 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2017 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 18th August 2017.
- (2) from Tuesday, 5th September 2017 to Thursday, 7th September 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 4th September 2017.

By Order of the Board  
**David Pun Chan**  
Chairman

Hong Kong, 28th June 2017

*As at the date hereof, the board comprises Mr. David Pun Chan (Chairman), Mr. William Wai Lim Lam and Mr. Wing Sau Li as executive directors, Ms. Ivy Sau Ching Chan as non-executive director and Mr. Joseph Wing Siu Cheung, Mr. Karl Chi Leung Kwok and Mr. Man Sing Kwong as independent non-executive directors.*