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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 2013

RESULTS

I am pleased to report that the group profit attributable to the equity holders of the company for the year ended 31st March 2013 amounted to HK\$565.7 million, as compared with the profit of HK\$737.9 million last year. The decrease in earnings is mainly due to slower property sales as a result of government's property anti-speculative measures.

DIVIDEND

An interim dividend of HK 11 cents per share was paid on 9th January 2013. The board has recommended the payment of a final dividend of HK 19 cents per share to persons registered as shareholders on 11th September 2013. Subject to the approval of shareholders at the forthcoming 2013 Annual General Meeting, the final dividend will be payable on 17th September 2013 and the total dividend for the year will be HK 30 cents per share.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2013

	Note	2013 HK\$ Million	2012 HK\$ Million
Revenue	2	991.8	1,381.9
Cost of sales		<u>(456.6)</u>	<u>(642.9)</u>
Gross profit		535.2	739.0
Other income		22.2	38.4
Administrative expenses		(42.2)	(55.8)
Impairment losses on available-for-sale financial assets		<u>–</u>	<u>(1.6)</u>
Operating profit	3	515.2	720.0
Finance costs		(4.3)	(4.6)
Share of results of associates, net of tax		<u>138.3</u>	<u>126.9</u>
Profit before income tax		649.2	842.3
Income tax expense	4	<u>(83.5)</u>	<u>(104.4)</u>
Profit attributable to equity holders of the company		<u>565.7</u>	<u>737.9</u>
Dividends	5	<u>185.2</u>	<u>185.2</u>
Earnings per share (basic and diluted)	6	<u>\$0.92</u>	<u>\$1.19</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2013

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Profit for the year	565.7	737.9
Other comprehensive income:		
Fair value gains on available-for-sale financial assets	16.5	16.7
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	–	1.6
Exchange differences	–	(0.2)
	<u>16.5</u>	<u>18.1</u>
Total comprehensive income for the year and attributable to equity holders of the company	<u>582.2</u>	<u>756.0</u>

CONSOLIDATED BALANCE SHEET

As at 31st March 2013

	Note	2013 HK\$ Million	2012 HK\$ Million
Non-current assets			
Property, plant and equipment		11.5	11.9
Associates		85.2	72.5
Amount due from an associate		24.6	–
Available-for-sale financial assets		114.1	103.3
Mortgage loans receivable		1.2	2.1
		<u>236.6</u>	<u>189.8</u>
Current assets			
Properties for sale		1,567.6	1,929.0
Properties under development		1,875.1	190.1
Mortgage loans receivable		0.1	0.1
Debtors, deposits and prepayments	7	102.1	230.6
Amounts due from associates		0.7	25.3
Current income tax assets		0.5	–
Bank balances and cash		2,173.2	3,028.2
		<u>5,719.3</u>	<u>5,403.3</u>
Current liabilities			
Creditors, deposits and accruals	8	86.0	88.7
Borrowings		113.0	118.8
Current income tax liabilities		57.3	83.0
		<u>256.3</u>	<u>290.5</u>
Net current assets		<u>5,463.0</u>	<u>5,112.8</u>
Net assets		<u>5,699.6</u>	<u>5,302.6</u>
Equity			
Share capital		61.7	61.7
Reserves		5,520.6	5,123.6
Proposed final dividend		117.3	117.3
Total equity		<u>5,699.6</u>	<u>5,302.6</u>

Notes:

1. Basis of preparation and accounting policies

(a) Basis of preparation

The 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 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 financial statements for the year ended 31st March 2012.

(b) New and revised standards and amendments to published standards effective in 2012/13 and adopted by the group

During the year, the group adopted the following amendment to the existing HKFRSs which is effective in 2012/13 and is relevant to its operations:

HKFRS 7 (Amendment)	Disclosures — transfers of financial assets
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The adoption of this amendment has no significant impact on the group’s results and financial position.

2. Revenue and segment information

The group is principally engaged in property investment and development, investment holding and property management. Revenue is also the group’s turnover.

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 2013

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Group <i>HK\$ Million</i>
Revenue	<u>984.1</u>	<u>7.7</u>	<u>–</u>	<u>–</u>	<u>991.8</u>
Operating profit	<u>492.3</u>	<u>4.1</u>	<u>–</u>	<u>18.8</u>	515.2
Finance costs	(4.3)	–	–	–	(4.3)
Share of results of associates, net of tax	1.7	–	136.6	–	<u>138.3</u>
Profit before income tax					649.2
Income tax expense	(82.8)	(0.7)	–	–	<u>(83.5)</u>
Profit attributable to equity holders of the company					<u>565.7</u>

For the year ended 31st March 2012

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Group <i>HK\$ Million</i>
Revenue	<u>1,374.2</u>	<u>7.7</u>	<u>–</u>	<u>–</u>	<u>1,381.9</u>
Segment results before provision Impairment losses on available- for-sale financial assets	682.1	3.6	–	35.9	721.6
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1.6)</u>	<u>(1.6)</u>
Operating profit	<u>682.1</u>	<u>3.6</u>	<u>–</u>	<u>34.3</u>	720.0
Finance costs	(4.6)	–	–	–	(4.6)
Share of results of associates, net of tax	1.3	–	125.6	–	<u>126.9</u>
Profit before income tax					842.3
Income tax expense	(103.8)	(0.6)	–	–	<u>(104.4)</u>
Profit attributable to equity holders of the company					<u>737.9</u>

(b) *Total assets and liabilities*

As at 31st March 2013

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Group <i>HK\$ Million</i>
Segment assets	3,558.7	48.3	–	2,238.4	5,845.4
Associates	<u>20.6</u>	<u>–</u>	<u>96.6</u>	<u>(6.7)</u>	<u>110.5</u>
Total assets					5,955.9
Segment liabilities	198.1	50.8	–	7.4	<u>256.3</u>
Net assets					<u>5,699.6</u>

As at 31st March 2012

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Group <i>HK\$ Million</i>
Segment assets	2,366.8	46.3	–	3,082.2	5,495.3
Associates	<u>18.8</u>	<u>–</u>	<u>85.5</u>	<u>(6.5)</u>	<u>97.8</u>
Total assets					5,593.1
Segment liabilities	235.3	46.3	–	8.9	<u>290.5</u>
Net assets					<u>5,302.6</u>

3. Operating profit

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
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Operating profit is stated after charging the following:

Cost of property sales	436.1	607.2
Depreciation	<u>0.5</u>	<u>0.5</u>

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Current income tax		
Hong Kong profits tax	83.5	104.4
	<u>83.5</u>	<u>104.4</u>

5. Dividends

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Interim, paid, of HK 11 cents (2012: HK 11 cents) per ordinary share	67.9	67.9
Final, proposed, of HK 19 cents (2012: HK 19 cents) per ordinary share	117.3	117.3
	<u>185.2</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\$565.7 million (2012: HK\$737.9 million) and ordinary shares in issue of 617,531,425 (2012: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2012: Nil).

7. Debtors, deposits and prepayments

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Trade debtors, aged		
0-3 months	96.1	221.7
Over 3 months	–	0.5
	<u>96.1</u>	<u>222.2</u>
Deposits and prepayments	6.0	8.4
	<u>102.1</u>	<u>230.6</u>

Debtors, 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 2013, trade debtors of HK\$93.0 million (2012: HK\$218.1 million) were fully performing.

7. Debtors, deposits and prepayments (Continued)

As at 31st March 2013, no trade debtor was impaired (2012: Nil). Trade debtors of HK\$3.1 million (2012: HK\$4.1 million) were past due but not considered to be impaired; these were aged within 150 days (2012: 150 days). These relate to debtors with good repayment history and no recent history of default, and the majority are covered by rental deposits received by the group.

8. Creditors, deposits and accruals

	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>
Creditors, aged		
0-3 months	0.3	1.1
Over 3 months	–	0.9
	<hr/>	<hr/>
	0.3	2.0
Deposits and accruals	85.7	86.7
	<hr/>	<hr/>
	86.0	88.7
	<hr/>	<hr/>

The creditors and deposits are mainly denominated in Hong Kong dollars.

BUSINESS REVIEW

Property Development

Plans for the development of our Repulse Bay site have been submitted to various government departments for approval. Site formation and foundation plans have been approved.

Metropole Square, an industrial building in Shatin with approximately 430,000 sq.ft. has been given a formal approval by government for a Special Waiver for Conversion from industrial to office and shop uses. No land premium is payable. Alteration works for upgrading the building will commence in July this year.

As the US economy is improving, it is likely that our French Valley Airport Centre project in California will begin in the next twelve months.

Hotel

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which your group has 35% interest, will continue to have satisfactory performance in the next few years.

The hotel management is studying various options to upgrade the shopping mall at the Sheraton in the near future to enhance its competitiveness and income potential. Some of the recent lease renewals are at substantially higher rental.

High-tech Investments

There are signs that the U.S. high-tech sector is recovering as evidenced by the sharp rise in NASDAQ shares since the lows in March 2009. It is expected that the performance of the funds that we have invested in will improve over the next few years.

ASSETS VALUE

The group's interest in Sheraton-Hong Kong Hotel is stated at cost less accumulated depreciation on the hotel land and buildings 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 2013.

	2013 (Unaudited) <i>HK\$ Million</i>	2012 (Unaudited) <i>HK\$ Million</i>
Non-current assets, including interest in associates	236.6	189.8
Add: Attributable revaluation surplus relating to hotel properties ⁽¹⁾	<u>3,072.0</u>	<u>2,678.0</u>
	----- 3,308.6	----- 2,867.8
Current assets	5,719.3	5,403.3
Current liabilities	<u>(256.3)</u>	<u>(290.5)</u>
Net current assets	<u>5,463.0</u>	<u>5,112.8</u>
Net assets as if the hotel properties were stated at open market value	<u>8,771.6</u>	<u>7,980.6</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>\$14.20</u>	<u>\$12.92</u>

⁽¹⁾ Based on open market valuations as at 31st March 2013 and 2012 respectively, carried out by DTZ Debenham Tie Leung 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 2013, the group's cash net of borrowings, was HK\$2,060.2 million as compared with HK\$2,909.4 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$235.6 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 2.0% at 31st March 2013 as compared with 2.2% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2013 amounted to HK\$40.1 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.

HUMAN RESOURCES

The group, excluding associates, employs a total of 214 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$54.5 million for the year ended 31st March 2013. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group has capital commitments in respect of available-for-sale financial assets as at 31st March 2013 of HK\$22.5 million. The group does not have any contingent liabilities as at 31st March 2013.

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

Hong Kong government has recently introduced anti-speculative measures to control rising property sales. However, the best way to contain property prices is not by administrative measures to suppress demand, but by increasing the supply of land and in turn residential units.

Sale of our shops and carpark have been brisk in the past year and we will continue to sell these types of property.

Our cash position is still very strong even after paying HK\$1.67 billion for the Repulse Bay site last year. With the introduction of anti-speculative measures by government, it is a good opportunity for your group to increase its land bank further.

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 financial statements for the year ended 31st March 2013, 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 preliminary announcement of the group's results for the year ended 31st March 2013 have been agreed by the group's auditor, PricewaterhouseCoopers, to the amounts set out in the group's 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 the 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 2013 Annual Report.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held on 29th August 2013. 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, 26th August 2013 to Thursday, 29th August 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2013 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the company's Registrars 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, 23rd August 2013.
- (2) from Monday, 9th September 2013 to Wednesday, 11th September 2013, 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 Registrars 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, 6th September 2013.

By Order of the Board
DAVID P. CHAN
Chairman

Hong Kong, 18th June 2013

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.