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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 2014

RESULTS

I am pleased to report that the audited group profit attributable to the equity holders of the company for the year ended 31st March 2014 amounted to HK\$1,012.5 million, as compared with the profit of HK\$565.7 million last year, representing an increase of 79%. Property sales were adversely affected during the year due to government's property anti-speculative measures. The profit increase is mainly due to reclassification of Metropole Square in Shatin from properties for sale to investment property.

DIVIDEND

An interim dividend of HK11 cents per share was paid on 8th January 2014. The board has recommended the payment of a final dividend of HK19 cents per share to persons registered as shareholders on 5th September 2014. Subject to the approval of shareholders at the forthcoming 2014 Annual General Meeting, the final dividend will be payable on 16th September 2014 and the total dividend for the year will be HK30 cents per share.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Revenue	2	100.4	991.8
Cost of sales		<u>(47.6)</u>	<u>(456.6)</u>
Gross profit		52.8	535.2
Other income		28.3	22.2
Administrative expenses		(47.2)	(42.2)
Impairment losses on available-for-sale financial assets		(1.0)	–
Fair value gain upon reclassification of a property for sale to an investment property		964.3	–
Change in fair value of an investment property		<u>43.7</u>	<u>–</u>
Operating profit	3	1,040.9	515.2
Finance costs		(4.0)	(4.3)
Share of results of associates, net of tax		<u>137.7</u>	<u>138.3</u>
Profit before income tax		1,174.6	649.2
Income tax expense	4	<u>(162.1)</u>	<u>(83.5)</u>
Profit attributable to equity holders of the company		<u>1,012.5</u>	<u>565.7</u>
Dividends	5	<u>185.2</u>	<u>185.2</u>
Earnings per share (basic and diluted)	6	<u>\$1.64</u>	<u>\$0.92</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2014

	2014 <i>HK\$ Million</i>	2013 <i>HK\$ Million</i>
Profit for the year	1,012.5	565.7
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of an associate	1.4	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value gains on available-for-sale financial assets	8.0	16.5
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	1.0	–
Exchange differences	(0.1)	–
	<u>10.3</u>	<u>16.5</u>
Total comprehensive income for the year and attributable to equity holders of the company	<u>1,022.8</u>	<u>582.2</u>

CONSOLIDATED BALANCE SHEET

As at 31st March 2014

	Note	2014 HK\$ Million	2013 HK\$ Million
Non-current assets			
Property, plant and equipment		11.6	11.5
Investment property		1,779.0	–
Associates		93.2	85.2
Amount due from an associate		–	24.6
Available-for-sale financial assets		112.4	114.1
Mortgage loans receivable		0.6	1.2
		<u>1,996.8</u>	<u>236.6</u>
Current assets			
Properties for sale		810.6	1,567.6
Properties under development		1,886.9	1,875.1
Mortgage loans receivable		–	0.1
Debtors, deposits and prepayments	7	26.4	102.1
Amounts due from associates		25.3	0.7
Current income tax assets		2.6	0.5
Bank balances and cash		2,133.0	2,173.2
		<u>4,884.8</u>	<u>5,719.3</u>
Current liabilities			
Creditors, deposits and accruals	8	78.2	86.0
Borrowings		107.1	113.0
Current income tax liabilities		–	57.3
		<u>185.3</u>	<u>256.3</u>
Net current assets		<u>4,699.5</u>	<u>5,463.0</u>
Total assets less current liabilities		6,696.3	5,699.6
Non-current liabilities			
Deferred income tax liabilities		159.1	–
Net assets		<u>6,537.2</u>	<u>5,699.6</u>
Equity			
Share capital		61.7	61.7
Reserves		6,358.2	5,520.6
Proposed final dividend		117.3	117.3
Total equity		<u>6,537.2</u>	<u>5,699.6</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 and investment property, 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 2013 except for the adoption of certain new and revised standards and amendments to the existing HKFRSs in note 1(b).

(b) New and revised standards and amendments to published standards effective in 2013/14 and adopted by the group

During the year, the group adopted the following new and revised standards and amendments to the existing HKFRSs which are effective in 2013/14 and are relevant to its operations:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HKFRS 7 (Amendment)	Financial instruments: disclosures – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 13	Fair value measurement
Annual improvements 2011	

Except for HKAS 1 (Amendment), HKFRS 12 and HKFRS 13 mentioned above, there are no other new standards, amendments and improvements that are effective for the first time in 2013/14 that would have a material impact to the group.

The impact of adopting the above new and revised standards on the group has been in the following areas.

HKAS 1 (Amendment), Presentation of financial statements

The main change resulting from this amendment is a requirement for entities to group items presented in ‘other comprehensive income’ on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). New presentations are made in the consolidated statement of comprehensive income.

HKFRS 12, Disclosure of interests in other entities

The new standard includes the extended disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- (b) *New and revised standards and amendments to published standards effective in 2013/14 and adopted by the group (Continued)*

HKFRS 13, Fair value measurement

The new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs.

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 the financial information 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 2014

	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	92.6	7.8	–	–	100.4
Segment results	5.3	0.1	–	28.5	33.9
Impairment losses on available-for-sale financial assets	–	–	–	(1.0)	(1.0)
Fair value gain upon reclassification of a property for sale to an investment property	964.3	–	–	–	964.3
Change in fair value of an investment property	43.7	–	–	–	43.7
Operating profit	1,013.3	0.1	–	27.5	1,040.9
Finance costs	(4.0)	–	–	–	(4.0)
Share of results of associates, net of tax	0.8	–	136.9	–	137.7
Profit before income tax					1,174.6
Income tax expense	(162.1)	–	–	–	(162.1)
Profit attributable to equity holders of the company					1,012.5

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

For the year ended 31st March 2013

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

(b) Total assets and liabilities

As at 31st March 2014

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Group HK\$ Million
Segment assets	4,520.0	49.3	–	2,193.8	6,763.1
Associates	21.9	–	103.7	(7.1)	118.5
Total assets					6,881.6
Segment liabilities	285.8	50.5	–	8.1	344.4
Net assets					6,537.2

As at 31st March 2013

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

3. Operating profit

	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>

Operating profit is stated after charging the following:

Cost of property sales	36.1	436.1
Depreciation	0.7	0.5
	<u> </u>	<u> </u>

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>

Current income tax		
Hong Kong profits tax	3.0	83.5
Deferred income tax	159.1	–
	<u> </u>	<u> </u>
	<u>162.1</u>	<u>83.5</u>

5. Dividends

	2014	2013
	<i>HK\$ Million</i>	<i>HK\$ Million</i>

Interim, paid, of HK11 cents		
(2013: HK11 cents) per ordinary share	67.9	67.9
Final, proposed, of HK19 cents		
(2013: HK19 cents) per ordinary share	117.3	117.3
	<u> </u>	<u> </u>
	<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\$1,012.5 million (2013: HK\$565.7 million) and ordinary shares in issue of 617,531,425 (2013: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2013: Nil).

7. Debtors, deposits and prepayments

	2014 <i>HK\$ Million</i>	2013 <i>HK\$ Million</i>
Trade debtors, aged 0-3 months	19.7	96.1
Deposits and prepayments	<u>6.7</u>	<u>6.0</u>
	<u>26.4</u>	<u>102.1</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 2014, trade debtors of HK\$19.3 million (2013: HK\$93.0 million) were fully performing.

As at 31st March 2014, no trade debtor was impaired (2013: Nil). Trade debtors of HK\$0.4 million (2013: HK\$3.1 million) were past due but not considered to be impaired; these were aged within 150 days (2013: 150 days) and relate to debtors with good repayment history and no recent history of default. The majority are covered by rental deposits received by the group.

8. Creditors, deposits and accruals

	2014 <i>HK\$ Million</i>	2013 <i>HK\$ Million</i>
Creditors, aged 0-3 months	13.3	0.3
Deposits and accruals	<u>64.9</u>	<u>85.7</u>
	<u>78.2</u>	<u>86.0</u>

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. Building plans have been approved. Site formation and foundation works are in progress.

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. The transfer of a property for sale to an investment property was effected on 30th September 2013. Alteration works for upgrading the building are in progress and expected to be completed by early 2015.

As the US economy is improving, our French Valley Airport Centre project in California will begin in the second half of this year.

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 the group has 35% interest, will continue to have satisfactory performance in the next few years. Sogo has agreed to lease the whole Shopping Mall. This is expected to generate higher steady income for the hotel.

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 2014.

	2014 (Unaudited) <i>HK\$ Million</i>	2013 (Unaudited) <i>HK\$ Million</i>
Non-current assets, including interest in associates	1,996.8	236.6
Add: Attributable revaluation surplus relating to hotel properties ⁽¹⁾	<u>3,226.3</u>	<u>3,072.0</u>
	----- 5,223.1	----- 3,308.6
Current assets	4,884.8	5,719.3
Current liabilities	<u>(185.3)</u>	<u>(256.3)</u>
Net current assets	----- 4,699.5	----- 5,463.0
Total assets less current liabilities	9,922.6	8,771.6
Non-current liabilities	<u>(159.1)</u>	<u>–</u>
Net assets as if the hotel properties were stated at open market value	<u>9,763.5</u>	<u>8,771.6</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>\$15.81</u>	<u>\$14.20</u>

⁽¹⁾ Based on open market valuations as at 31st March 2014 and 2013 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 2014, the group's cash net of borrowings was HK\$2,025.9 million as compared with HK\$2,060.2 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$237.7 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 1.6% at 31st March 2014 as compared with 2.0% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2014 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 209 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$56.5 million for the year ended 31st March 2014. 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 and properties as at 31st March 2014 of HK\$192.0 million. The group does not have any contingent liabilities as at 31st March 2014.

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

Government's anti-speculative measures have adversely affected property sales in Hong Kong. However, there are signs that property sales have increased recently. Unless there are new measures by government, it is likely that the property market will stabilize at the present level.

Our cash position is still very strong. As the government has increased its land sales program, it is a good opportunity for the group to increase its land bank over the next twelve months.

Our strategy to concentrate on the super luxury residential sector for development has been proven correct by the results of recent government land sales by tender. The land prices for mass residential developments have been declining, especially for those in New Territories, but land prices for the luxury sector in the urban areas have been increasing. Developments for mass residential projects have been hurt by lower sale prices and higher construction costs. The group is not involved in this sector. However, the super luxury sector has been affected much less by higher construction costs and the limited supply has helped this sector to maintain relatively high prices.

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 2014, 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 2014 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 2014 Annual Report.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held on 26th August 2014. 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 Thursday, 21st August 2014 to Tuesday, 26th August 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2014 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 Wednesday, 20th August 2014.
- (2) from Wednesday, 3rd September 2014 to Friday, 5th September 2014, 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 Tuesday, 2nd September 2014.

By Order of the Board
DAVID P. CHAN
Chairman

Hong Kong, 18th June 2014

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.