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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 2015

### 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 2015 amounted to HK\$553.9 million, as compared with the profit of HK\$1,012.5 million last year. The substantial decline in profit is mainly attributable to the decrease in the valuation gain on the group's investment property for the year ended 31st March 2015 as compared to that of last year. However, the group's underlying profit attributable to equity holders of the company, which excludes the valuation gain on the group's investment property and related deferred tax thereon, for the year ended 31st March 2015 is substantially better than that of last year.

### DIVIDEND

An interim dividend of HK11 cents per share was paid on 8th January 2015. The board has recommended the payment of a final dividend of HK19 cents per share to the shareholders on the register of members of the company on 11th September 2015. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 17th September 2015 and the total dividend for the year will be HK30 cents per share.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2015

	Note	2015 HK\$ Million	2014 HK\$ Million
Revenue	2	454.4	100.4
Cost of sales		<u>(287.8)</u>	<u>(47.6)</u>
Gross profit		166.6	52.8
Other income		23.5	28.3
Administrative expenses		(49.9)	(47.2)
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>370.1</u>	<u>43.7</u>
Operating profit	3	510.3	1,040.9
Finance costs		(3.9)	(4.0)
Share of results of associates, net of tax		<u>139.0</u>	<u>137.7</u>
Profit before income tax		645.4	1,174.6
Income tax expense	4	<u>(91.5)</u>	<u>(162.1)</u>
<b>Profit attributable to equity holders of the company</b>		<b><u>553.9</u></b>	<b><u>1,012.5</u></b>
Dividends	5	<u>185.2</u>	<u>185.2</u>
Earnings per share (basic and diluted)	6	<u>\$0.90</u>	<u>\$1.64</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2015

	2015 HK\$ Million	2014 HK\$ Million
Profit for the year	553.9	1,012.5
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of an associate	(1.7)	1.4
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>		
Fair value gains on available-for-sale financial assets	17.3	8.0
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	–	1.0
Exchange differences	(0.1)	(0.1)
	<u>15.5</u>	<u>10.3</u>
Total comprehensive income for the year and attributable to equity holders of the company	<u>569.4</u>	<u>1,022.8</u>

## CONSOLIDATED BALANCE SHEET

As at 31st March 2015

	Note	2015 HK\$ Million	2014 HK\$ Million
Non-current assets			
Property, plant and equipment		11.3	11.6
Investment property	7	–	1,779.0
Associates		100.0	93.2
Amount due from an associate		24.6	–
Available-for-sale financial assets		119.6	112.4
Mortgage loans receivable		0.6	0.6
		<u>256.1</u>	<u>1,996.8</u>
Current assets			
Properties for sale		2,804.1	810.6
Properties under development		1,935.1	1,886.9
Debtors, deposits and prepayments	8	42.7	26.4
Amounts due from associates		0.7	25.3
Current income tax assets		–	2.6
Bank balances and cash		2,320.6	2,133.0
		<u>7,103.2</u>	<u>4,884.8</u>
Current liabilities			
Creditors, deposits and accruals	9	85.2	78.2
Borrowings		104.0	107.1
Current income tax liabilities		22.5	–
		<u>211.7</u>	<u>185.3</u>
Net current assets		<u>6,891.5</u>	<u>4,699.5</u>
Total assets less current liabilities		7,147.6	6,696.3
Non-current liabilities			
Deferred income tax liabilities		226.2	159.1
Net assets		<u>6,921.4</u>	<u>6,537.2</u>
Equity			
Share capital		61.7	61.7
Reserves		6,742.4	6,358.2
Proposed final dividend		117.3	117.3
Total equity		<u>6,921.4</u>	<u>6,537.2</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 and investment property, 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 2014 except for the adoption of certain amendments to the existing HKFRSs and interpretation in note 1(b).

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

### (b) Amendments to published standards and interpretation effective in 2014/15 and adopted by the group

During the year, the group adopted the following amendments to the existing HKFRSs and interpretation which are effective in 2014/15 and are relevant to its operations:

HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HK(IFRIC)-Int 21	Levies

There are no other new standards, amendments, interpretations and improvements that are effective for the first time in 2014/15 that would have a material impact to the group.

## 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 2015

	<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>Group</b> <i>HK\$ Million</i>
Revenue	<u>446.6</u>	<u>7.8</u>	<u>–</u>	<u>–</u>	<u>454.4</u>
Segment results	116.9	1.9	–	21.4	140.2
Change in fair value of an investment property	<u>370.1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>370.1</u>
Operating profit	<u>487.0</u>	<u>1.9</u>	<u>–</u>	<u>21.4</u>	510.3
Finance costs	(3.9)	–	–	–	(3.9)
Share of results of associates, net of tax	1.5	–	137.5	–	<u>139.0</u>
Profit before income tax					645.4
Income tax expense	(91.2)	(0.3)	–	–	<u>(91.5)</u>
Profit attributable to equity holders of the company					<u>553.9</u>

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

For the year ended 31st March 2014

	<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>Group</b> <i>HK\$ Million</i>
Revenue	<u>92.6</u>	<u>7.8</u>	<u>–</u>	<u>–</u>	<u>100.4</u>
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	<u>43.7</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>43.7</u>
Operating profit	<u>1,013.3</u>	<u>0.1</u>	<u>–</u>	<u>27.5</u>	1,040.9
Finance costs	(4.0)	–	–	–	(4.0)
Share of results of associates, net of tax	0.8	–	136.9	–	<u>137.7</u>
Profit before income tax					1,174.6
Income tax expense	(162.1)	–	–	–	<u>(162.1)</u>
Profit attributable to equity holders of the company					<u>1,012.5</u>

(b) *Total assets and liabilities*

As at 31st March 2015

	<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>Group</b> <i>HK\$ Million</i>
Segment assets	4,796.0	51.8	–	2,386.2	7,234.0
Associates	<u>23.8</u>	<u>–</u>	<u>108.9</u>	<u>(7.4)</u>	<u>125.3</u>
Total assets					7,359.3
Segment liabilities	375.9	52.9	–	9.1	<u>437.9</u>
Net assets					<u>6,921.4</u>

As at 31st March 2014

	<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>Group</b> <i>HK\$ Million</i>
Segment assets	4,520.0	49.3	–	2,193.8	6,763.1
Associates	<u>21.9</u>	<u>–</u>	<u>103.7</u>	<u>(7.1)</u>	<u>118.5</u>
Total assets					6,881.6
Segment liabilities	285.8	50.5	–	8.1	<u>344.4</u>
Net assets					<u>6,537.2</u>

**3. Operating profit**

	<b>2015</b> <i>HK\$ Million</i>	<b>2014</b> <i>HK\$ Million</i>
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Operating profit is stated after charging the following:

Cost of property sales	261.5	36.1
Depreciation	<u>0.6</u>	<u>0.7</u>

#### 4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

	<b>2015</b> <i>HK\$ Million</i>	<b>2014</b> <i>HK\$ Million</i>
Current income tax		
Hong Kong profits tax	24.4	3.0
Deferred income tax	67.1	159.1
	<u>91.5</u>	<u>162.1</u>

#### 5. Dividends

	<b>2015</b> <i>HK\$ Million</i>	<b>2014</b> <i>HK\$ Million</i>
Interim, paid, of HK11 cents (2014: HK11 cents) per ordinary share	67.9	67.9
Final, proposed, of HK19 cents (2014: HK19 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\$553.9 million (2014: HK\$1,012.5 million) and ordinary shares in issue of 617,531,425 (2014: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2014: Nil).

## 7. Investment property

	<b>2015</b> <i>HK\$ Million</i>	<b>2014</b> <i>HK\$ Million</i>
At the beginning of the year	1,779.0	–
Transfer (to)/from properties for sale	(2,253.0)	734.7
Fair value gain upon reclassification from properties for sale	–	964.3
Additions	103.9	36.3
Fair value gain	370.1	43.7
	<hr/>	<hr/>
At the end of the year	–	1,779.0
	<hr/>	<hr/>

The investment property, “Metropole Square”, is located in Sha Tin. The property was classified as properties for sale as at 31st March 2013. The transfer of the property to an investment property was effected on 30th September 2013, resulting in a fair value gain before tax of HK\$964.3 million. During the year, the transfer of the investment property to properties for sale was effected on 1st December 2014.

## 8. Debtors, deposits and prepayments

	<b>2015</b> <i>HK\$ Million</i>	<b>2014</b> <i>HK\$ Million</i>
Trade debtors, aged 0-3 months	36.6	19.7
Deposits and prepayments	6.1	6.7
	<hr/>	<hr/>
	42.7	26.4
	<hr/>	<hr/>

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 2015, trade debtors of HK\$36.6 million (2014: HK\$19.3 million) were fully performing.

As at 31st March 2015, no trade debtor was impaired (2014: Nil). As at 31st March 2014, trade debtors of HK\$0.4 million were past due but not considered to be impaired; these were aged within 90 days. These relate to debtors with good repayment history and no recent history of default. The majority are covered by rental deposits received by the group.

## 9. Creditors, deposits and accruals

	<b>2015</b> <i>HK\$ Million</i>	<b>2014</b> <i>HK\$ Million</i>
Creditors, aged 0-3 months	6.3	13.3
Deposits and accruals	78.9	64.9
	<u>85.2</u>	<u>78.2</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. Superstructural works are expected to begin in the second half of 2015.

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 and addition works for upgrading the building have been completed. A letter of confirmation certifying completion of works has been formally issued by the Lands Department in December of last year. Sales of this project so far has been satisfactory.

As the US economy is improving, our French Valley Airport Centre project in California will begin in the third quarter of 2015.

### 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 leased the whole Shopping Mall. This is expected to generate higher steady income for the hotel. Sogo had a grand opening in December last year. A site next to the hotel was sold last year at a price much higher than market expectations.

## 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 2015.

	<b>2015</b> (Unaudited) <i>HK\$ Million</i>	<b>2014</b> (Unaudited) <i>HK\$ Million</i>
Non-current assets, including interest in associates	256.1	1,996.8
Add: Attributable revaluation surplus relating to hotel properties <sup>(1)</sup>	<u>3,380.9</u>	<u>3,226.3</u>
	----- 3,637.0	----- 5,223.1
Current assets	7,103.2	4,884.8
Current liabilities	<u>(211.7)</u>	<u>(185.3)</u>
Net current assets	----- 6,891.5	----- 4,699.5
Total assets less current liabilities	10,528.5	9,922.6
Non-current liabilities	<u>(226.2)</u>	<u>(159.1)</u>
Net assets as if the hotel properties were stated at open market value	<u>10,302.3</u>	<u>9,763.5</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>\$16.68</u>	<u>\$15.81</u>

<sup>(1)</sup> Based on open market valuations as at 31st March 2015 and 2014 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 2015, the group's cash net of borrowings was HK\$2,216.6 million as compared with HK\$2,025.9 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$200.3 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 1.5% at 31st March 2015 as compared with 1.6% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2015 amounted to HK\$8.1 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 207 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$57.1 million for the year ended 31st March 2015. 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 2015 of HK\$76.8 million. The group does not have any contingent liabilities as at 31st March 2015.

## **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 property market has experienced government's anti-speculative measures and the Occupy Central Movement during last year. However, due to high demand and low interest rates, the property market has remained relatively stable.

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.

## **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 2015, 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 profit and loss account, and the related notes thereto for the year ended 31st March 2015 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 2015 Annual Report.

## **ANNUAL GENERAL MEETING**

The 2015 Annual General Meeting will be held on 1st September 2015. 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, 27th August 2015 to Tuesday, 1st September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2015 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 Wednesday, 26th August 2015.
- (2) from Wednesday, 9th September 2015 to Friday, 11th September 2015, 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 Tuesday, 8th September 2015.

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

Hong Kong, 16th June 2015

*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.*