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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 Results for the year ended 31 March 2023

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the audited results of the Group for the year ended 31 March 2023. These results have been reviewed with no disagreement by the audit committee of the Company. The figures in respect of this preliminary announcement of the Group's results have been agreed by the Company's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Consolidated statement of profit or loss and other comprehensive income

		Year ended 31 March	
	Note	2023 \$'000	2022 \$'000
Revenue	3	309,877	310,348
Cost of services		(87,722)	(91,069)
Gross profit		222,155	219,279
Other revenue	5(a)	14,415	4,001
Other net (loss)/income	5(b)	(2,742)	1,468
Administrative expenses		(42,425)	(41,988)
Profit from operations before valuation changes in investment properties		191,403	182,760
Net valuation losses on investment properties		(1,707,681)	(1,264,692)
Loss from operations after valuation changes in investment properties		(1,516,278)	(1,081,932)
Finance costs	6(a)	(6,057)	(2,981)
Loss before taxation	6	(1,522,335)	(1,084,913)
Income tax	7	(29,221)	(29,397)
Loss and total comprehensive income for the year		(1,551,556)	(1,114,310)
Attributable to:			
— Equity shareholders of the Company		(759,345)	(554,024)
— Non-controlling interests		(792,211)	(560,286)
Loss and total comprehensive income for the year		(1,551,556)	(1,114,310)
Loss per share — basic and diluted	9	\$(1.60)	\$(1.17)

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated statement of financial position

	<i>Note</i>	At 31 March 2023		At 31 March 2022	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
— Investment properties			7,771,462		9,478,748
— Other properties, plant and equipment			<u>52,244</u>		<u>54,801</u>
			7,823,706		9,533,549
Current assets					
Accounts receivable, deposits and prepayments	10	145,681		150,660	
Current tax recoverable		—		11,640	
Pledged bank deposits		12,275		3,417	
Cash and cash equivalents		<u>511,641</u>		<u>492,922</u>	
		<u>669,597</u>		<u>658,639</u>	
Current liabilities					
Other payables and accruals	11	29,299		51,248	
Deposits received		109,100		133,203	
Provision for long service payments		1,452		1,648	
Current tax payable		<u>5,053</u>		<u>6</u>	
		<u>144,904</u>		<u>186,105</u>	
Net current assets			<u>524,693</u>		<u>472,534</u>
Total assets less current liabilities			8,348,399		10,006,083
Non-current liabilities					
Bank loan — secured		200,000		200,000	
Government lease premiums payable		1,492		1,572	
Deferred tax liabilities		<u>114,490</u>		<u>105,980</u>	
			<u>315,982</u>		<u>307,552</u>
NET ASSETS			<u>8,032,417</u>		<u>9,698,531</u>
CAPITAL AND RESERVES					
Share capital		121,830		121,830	
Reserves		<u>4,101,264</u>		<u>4,917,577</u>	
			4,223,094		5,039,407
Non-controlling interests			<u>3,809,323</u>		<u>4,659,124</u>
TOTAL EQUITY			<u>8,032,417</u>		<u>9,698,531</u>

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2022, except for the accounting policy changes that have been reflected in the financial statements for the year ended 31 March 2023. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 March 2023 and 2022 included in this preliminary announcement of results does not constitute the Company’s statutory annual consolidated financial statements for those years 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 financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2023 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; 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 HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group:

- Amendments to HKFRS 3, *Reference to the conceptual framework*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — Cost of fulfilling a contract*
- Annual improvements to HKFRSs 2018-2020 cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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 one customer (2022: two customers) with whom transactions have exceeded 10% of the Group’s revenue during the year ended 31 March 2023. Revenue from this customer amounted to approximately \$38,133,000 (2022: \$38,733,000 and \$37,622,000 respectively).

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 (loss)/income

	Year ended 31 March	
	2023 \$'000	2022 \$'000
(a) Other revenue		
Interest income	12,431	2,784
Compensation from early termination of leases	859	–
Others	1,125	1,217
	<u>14,415</u>	<u>4,001</u>
(b) Other net (loss)/income		
Net foreign exchange (loss)/gain	(2,766)	1,474
Net gain/(loss) on disposals of fixed assets	24	(6)
	<u>(2,742)</u>	<u>1,468</u>

6. Loss before taxation

Loss before taxation is arrived at after charging:

	Year ended 31 March	
	2023 \$'000	2022 \$'000
(a) Finance costs		
Interest on bank loan	5,727	1,928
Other borrowing costs	250	970
Interest on government lease premiums payable	80	83
	<u>6,057</u>	<u>2,981</u>
(b) Other items		
Depreciation charge	4,436	4,289
Impairment losses on accounts receivable	126	2,276
	<u>4,562</u>	<u>6,565</u>

7. Income tax

	Year ended 31 March	
	2023 \$'000	2022 \$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	20,695	20,780
Over-provision in respect of prior years	(53)	(37)
	20,642	20,743
	20,642	20,743
Current tax — PRC		
Provision for the year	69	160
	69	160
Deferred tax		
Changes in fair value of investment properties	(106)	(41)
Origination and reversal of temporary differences	8,616	8,535
	8,510	8,494
	8,510	8,494
	29,221	29,397

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, 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 2022. 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 year

	Year ended 31 March	
	2023 \$'000	2022 \$'000
Interim dividend declared and paid of \$0.04 per share (2022: \$0.08 per share)	18,989	37,979
Final dividend proposed after the end of the reporting period of \$0.09 per share (2022: \$0.08 per share)	42,726	37,979
	61,715	75,958
	61,715	75,958

The final dividend proposed after the end of the reporting 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 and paid during the year**

	Year ended 31 March	
	2023	2022
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.08 per share (2022: \$0.08 per share)	37,979	37,979

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 \$759,345,000 (2022: \$554,024,000) and 474,731,824 (2022: 474,731,824) shares in issue during the year. There were no potential dilutive shares in existence in 2023 and 2022.

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 31 March	
	2023	2022
	\$'000	\$'000
Current (Note)	109,628	108,109
Less than 1 month past due	9,509	12,140
1 to 3 months past due	9,943	14,131
More than 3 months but less than 12 months past due	5,347	7,577
More than 12 months past due	2,139	1,644
Amounts past due	26,938	35,492
Total accounts receivable, net of allowance for credit losses	136,566	143,601
Deposits and prepayments	9,115	7,059
	145,681	150,660

Note: The amount includes the receivable for lease incentives of \$107,773,000 (2022: \$105,893,000) which is not past due. The movement in the said receivable during the year 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.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to recommend a final dividend of \$0.09 per share for the year ended 31 March 2023 (2022: \$0.08 per share). As the Company paid an interim dividend of \$0.04 per share during the year (2022: \$0.08 per share), the total distribution will be \$0.13 per share for the year (2022: \$0.16 per share).

Subject to the members' approval on the proposed final dividend at the forthcoming annual general meeting, the register of members of the Company will be closed for the purpose of determining entitlement to the said final dividend from Thursday, 14 September 2023 to Monday, 18 September 2023, 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 Wednesday, 13 September 2023. The proposed final dividend will be paid on Thursday, 12 October 2023 to members whose names appear on the register of members on Monday, 18 September 2023 following approval at the annual general meeting.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of \$191.4 million for the financial year ended 31 March 2023, representing an increase of approximately 4.7% compared with the previous financial year.
- Net valuation losses on investment properties for the financial year ended 31 March 2023 amounted to \$1,707.7 million, compared with the net valuation losses of \$1,264.7 million for the previous financial 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 \$759.3 million for the financial year ended 31 March 2023, compared with a loss attributable to equity shareholders of \$554.0 million for the previous financial year.
- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately \$296.9 million for the financial year ended 31 March 2023, representing a decrease of approximately 1.1% compared with the previous financial year. The occupancy rate at 31 March 2023 was approximately 77.2% (2022: 73.5%).
- 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 year.
- The total equity for the Group at 31 March 2023 was \$8,032.4 million, compared with \$9,698.5 million at 31 March 2022.

- 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 31 March 2023, the banking facilities were utilised to the extent of \$200 million (2022: \$200 million) and the Group’s gearing ratio (calculated as total bank loans divided by total equity) was 2.5% (2022: 2.1%).
- At 31 March 2023, 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 36 (2022: 39) and the related costs incurred during the year were approximately \$31.4 million (2022: \$31.6 million).

OUTLOOK

With the full re-opening of the border in the first quarter of 2023, the economic activity in Hong Kong is normalising. The Hong Kong economy is recovering strongly despite the challenging global financial environment. The management is cautiously optimistic on the outlook for the retail market and considers that the leasing market in Hong Kong is improving but remains challenging. It is expected that the rental income from iSQUARE and the results from operations of the Group for the coming financial year would remain stable.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of members of the Company will be held on Friday, 8 September 2023.

For the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 1 September 2023 to Friday, 8 September 2023, 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 Thursday, 31 August 2023.

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 year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the financial year ended 31 March 2023 complied with all the code provisions, where applicable, set out in Part 2 of 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 C.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. After taking into account the business nature and operational complexity and diversity of the Group, as well as the close supervision of and prudent approach adopted by the management, the Board believes that 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 C.2.1: The roles of chairman and chief executive should be separated and performed by two individuals

The roles of the Chairman and chief executive officer of the Company are taken up by the same person (irrespective of the change of persons performing the said functions during the reporting year). To avoid concentration of power and authority in any one individual, the Executive Directors have been sharing the day-to-day management of the Company’s business whilst the Board is collectively responsible for formulation of objectives and strategic decisions. In addition, the Board comprises three Independent Non-executive Directors (“INEDs”) with differing expertise/calibre who can provide a “check and balance” effect on the management through their high attendance at board meetings and active roles in board committees whereby ensuring a balance of power. Given consideration to the aforesaid, the Board of Directors is of the view that the structure of CEO duality 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 on the one hand while achieving an equilibrium of power on the other.

- Code Provisions C.2.2 – C.2.6 and C.2.8 – C.2.9: The board chairman should take up certain roles and responsibilities

Although the then Chairman was unable to perform his role as required for some time in the reporting year due to health reason, his functions had been delegated to the then Deputy Chairman (who had a close collaboration with him) so as to ensure the Board working effectively and the Company running smoothly. Together with the division of Chairman’s responsibilities among the Executive Directors in his absence and the mechanism mentioned in the immediately preceding paragraph, and the appointment of a new Chairman later in the reporting year, the Board considers that the roles and functions of the board chairman as required under these code provisions are adequately discharged.

- Code Provision C.6.3: The company secretary should report to the board chairman and/or the chief executive

Prior to the appointment of a new Chairman/chief executive officer, the company secretary reported directly to the then Deputy Chairman (instead of the then Chairman/chief executive officer) given that they are located in the same office and work closely on a day-to-day basis. Such reporting line can provide for a prompt and timely response to issues which require immediate attention whilst the ongoing discussion and dialogue on business affairs, in particular corporate governance and financial issues, between the then Chairman and Deputy Chairman enabled the Company to be managed in an effective manner. The Board considers that the said reporting line was apposite to the Company in view of the circumstances then pertaining. Following the appointment of a new Chairman/chief executive officer to whom the company secretary currently reports, this code provision has been complied with.

- Code Provision D.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 one in March 2023 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 whistleblowing policy 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, together with the review result on the effectiveness of the existing control mechanism 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 for the time being. Nonetheless, the Board will review the need for one on an annual basis.

- Code Provision E.1.1: The remuneration committee should consult the chairman and/or chief executive about other executive directors' remuneration proposals

Since the late Chairman (also being the chief executive officer) of the Company was absent from work since July 2022 and the casual vacancies arising from his passing away had not been filled at the time the remuneration proposals for other Executive Directors were considered, the remuneration committee (whose members are all INEDs and authorised to fix the remuneration packages of Executive Directors based on the several factors set out in the Company's remuneration policy) only consulted the then Deputy Chairman (who had been delegated to tentatively take up the role of Chairman) of the same. To rectify the situation, the Company has already appointed a new Chairman (who is also the chief executive officer) in the year under review.

- Code Provision E.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 all INEDs and 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 F.2.2: The chairman of the board should attend the annual general meeting ("AGM") and invite the chairmen of the audit, remuneration and nomination committees to attend

Mr Cheong Hooi Hong, who was the then Chairman of the Board and chairman of the nomination committee, did not attend the Company's AGM held on 9 September 2022 due to health reason. To ensure smooth proceeding of the AGM and answer questions from shareholders, in particular those in relation to the nomination committee, the then Deputy Chairman took the chair of the meeting in accordance with the Articles of Association of the Company and all other Directors, including those who were the nomination committee members, were present at the AGM either in person or by electronic means.

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 financial year ended 31 March 2023.

COMPLIANCE WITH RULE 3.27A OF THE LISTING RULES

Following the appointment of Mr Cheong Kheng Lim as the Chairman of the Board and chairman of the nomination committee of the Company, the requirement under Rule 3.27A of the Listing Rules, which stipulates that a listed company must establish a nomination committee chaired by the chairman of the board or an INED, has been complied with.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (http://tll.etnet.com.hk/eng/ca_calendar.php). The annual report for the financial year ended 31 March 2023 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, 29 June 2023

As at the date of this announcement, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam, Miss Cheong Chong Ling and Mr Cheong Tiong Ham 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.