Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

2019 ANNUAL REPORT

Contents

Financial Highlights

	2019 *HK$Million*	2018 *HK$Million*	Percentage Change
Profit Attributable to Equity Holders of the Company	**231.6**	354.7	-35%
Dividends	**216.1**	216.1	–
Total Equity	**7,086.6**	7,075.4	–
Earnings Per Share	**$0.38**	$0.57	-33%
Dividends Per Share	**$0.35**	$0.35	–

Board of Directors

David Pun CHAN *Chairman and Managing Director*
Ivy Sau Ching CHAN
*Joseph Wing Siu CHEUNG
*Karl Chi Leung KWOK
*Man Sing KWONG
William Wai Lim LAM
Wing Sau LI

* *Independent non-executive directors*

Audit Committee

Karl Chi Leung KWOK *Committee Chairman*
Ivy Sau Ching CHAN
Joseph Wing Siu CHEUNG
Man Sing KWONG

Remuneration Committee

Karl Chi Leung KWOK *Committee Chairman*
Ivy Sau Ching CHAN
Man Sing KWONG

Nomination Committee

David Pun CHAN *Committee Chairman*
Karl Chi Leung KWOK
Man Sing KWONG

Company Secretary

Kit Yan LUK

Bankers

Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
Bermuda

Head Office

20th Floor, The Hong Kong Club Building,
3A Chater Road, Central,
Hong Kong
Telephone: (852) 2532 2688
Fax: (852) 2810 4108
Website: www.taicheung.com

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-16,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Directors

David Pun CHAN, SB HonLLD

David Pun CHAN, 68, joined the group in 1973, appointed a director of its holding company in 1975 and Chairman in 1981. He has more than 30 years' experience in construction, property development and investment businesses. Currently, he is the Chairman of the Court of Lingnan University and Life Honorary Chairman of the Chinese General Chamber of Commerce. He is the brother of Ivy Sau Ching Chan, another director of the company.

Ivy Sau Ching CHAN, BA

Ivy Sau Ching CHAN, 66, has been a director of the group's holding company since 1981. She is currently a Partner with Messrs Woo, Kwan, Lee & Lo with over 30 years' experience in the legal field. She advises on legal matters of the businesses of the group. She is the sister of David Pun Chan, another director of the company.

Joseph Wing Siu CHEUNG, MS

Joseph Wing Siu CHEUNG, 73, appointed a director of the group's holding company in 2004. He is a director of The Garden Company Limited and its major subsidiaries ("The Garden Group") and has over 30 years' experience in manufacturing, sales and marketing management in The Garden Group.

Karl Chi Leung KWOK, BA MBA MH

Karl Chi Leung KWOK, 70, has been a director of the group's holding company since 1983. He has more than 30 years' management experience in the banking and finance businesses. He is the Chairman of Wing On International Holdings Limited, Wing On Company International Limited and Major Sports Events Committee (ex-officio member of Sports Commission), Chairman Emeritus of The Hong Kong – America Center, a trustee member of the Board of The Trustees of Chung Chi College of The Chinese University of Hong Kong, a member of the Board of Carleton College, Northfield, MN, USA, a trust member of The Outward Bound Trust of Hong Kong Limited, vice president of Sports Federation & Olympic Committee of Hong Kong, China and a director of Hong Kong Sports Institute.

Man Sing KWONG, BASc

Man Sing KWONG, 72, appointed a director of the group's holding company in 2006. He was with PricewaterhouseCoopers, Certified Public Accountants for more than 32 years, of which he was an audit partner since 1980 until he retired from the firm on 30th June 2002.

William Wai Lim LAM, BBus MBA CPA CPA(Aust.) CPA(US) FCCA

William Wai Lim LAM, 55, joined the group in 1996, appointed a director of its holding company in 2004. He has more than 30 years' experience in auditing, accounting, corporate finance and strategic planning. He is also the Financial Controller of the group.

Wing Sau LI, BA DipMS

Wing Sau LI, 66, joined the group in 1994, appointed a director of its holding company in 1997. Prior to joining the group, he worked as project manager of a project and construction management consultant company in Canada. He has more than 30 years' project management experience both in Hong Kong and Canada. He is also the Controller of Project Management and Construction division of the group.

Senior Management

Head of Construction

Yung Kan KU, BEng(Hon) MSc(Civil) MSc(Eng) CEng MHKIE MRICS, 50, the Construction Manager of the group. He joined the group in 2013, prior to which he was a project manager of a major listed property developer and builder. He has more than 25 years' project and construction management experience in Hong Kong, Macau and China.

Head of Sales

Chuk Yin NG, graduate of Secretarial Practice, Lingnan College (presently known as Lingnan University), 60, the Sales Manager of the group. She joined the group in 1979 and served at various positions within the Sales Department. She has been responsible for sales projects, including pre-sales planning, legal compliance, property sales and leasing matters. She has more than 30 years' sales experience.

Head of Property Management

Winnie Yuk Kwai LIU, BSc RPHM MHKIH CIHAPB MRICS, 56, the Chief Property Manager of the group. She joined the group in 2014, prior to which she was an assistant general manager of a professional management company. She has more than 25 years' experience in property management services.

Head of US Operations

Chi Hung POON, BA MSc MBA, 72, the President of the US Operations. He joined the group in 1988. He has more than 30 years' experience in property development, civil engineering and construction in the United States. He is the cousin of David Pun Chan and Ivy Sau Ching Chan, the directors of the company.

Head of General Secretarial

Kit Yan LUK, MBA FCIS FCS, 54, the Company Secretarial Manager of the group. She joined the group in 1991 and has been responsible for company secretarial, corporate governance and compliance matters. Prior to joining the group, she was an assistant company secretary of a listed company. She has more than 30 years' company secretarial experience.

Head of Information Technology

Wing Ip TANG, MBA, 69, the IT Manager and also the Senior Manager of Corporate Affairs of the group. He joined the group in 1979 initially as accountant and subsequently transferred to the Information Technology division in 1982. Prior to joining the group, he was an internal auditor with a listed company. He has more than 30 years' experience in commercial accounting, corporate auditing and information technology.

Head of Human Resources

Maggie Wai Man LAI, BBA MSc MIHRM, 48, the Human Resources Manager of the group. She joined the group in 1994 and served at various positions within the Human Resources Department. Prior to joining the group, she worked for a large construction company. She has more than 20 years' human resources management experience.

The directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31st March 2019.

Principal Activities

The principal activity of the company is investment holding. The principal activities of its subsidiaries include property investment and development, investment holding and property management. Details are set out in note 34 to the consolidated financial statements.

An analysis of the group's performance for the year by reporting segment is set out in note 5 to the consolidated financial statements.

Results and Appropriations

The results of the group for the year are set out in the consolidated income statement on page 31.

The directors declared an interim dividend of HK 12 cents per ordinary share, totalling HK$74.1 million, which was paid on 3rd January 2019.

The directors recommend the payment of a final dividend of HK 23 cents per ordinary share, totalling HK$142.0 million, to the shareholders on the register of members of the company on 9th September 2019.

Reserves

Movements in the reserves of the group during the year are set out in note 27 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the group are set out in note 15 to the consolidated financial statements.

Financial Summary

A five year financial summary of the group is set out on page 86.

Borrowings

Details of the borrowings of the group are set out in note 24 to the consolidated financial statements.

Major Properties

Particulars of major properties of the group are set out on page 85.

Directors

The directors in office during the year and up to the date of this report are Messrs David Pun Chan, Joseph Wing Siu Cheung*, Karl Chi Leung Kwok*, Man Sing Kwong*, William Wai Lim Lam, Wing Sau Li and Ms Ivy Sau Ching Chan.

In accordance with Bye-law 84 of the company's Bye-laws, Mr William Wai Lim Lam and Mr Wing Sau Li retire from the board by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The company has received from each of its independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company is of the view that all independent non-executive directors are independent in accordance with the terms of the guidelines set out in Rule 3.13 of the Listing Rules.

None of the directors has a service contract with the company which is not determinable within one year without payment of compensation.

* Independent non-executive directors

Biography of Directors and Senior Management

The biographical details of the directors and senior management are set out on pages 3 and 4.

Directors' Interests

At 31st March 2019, the interests of the directors and chief executive in the shares of the company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

	Number of shares				
Name	Personal interests	Family interests	Corporate interests	Other interests	**Total**
David Pun Chan	118,887,971	–	*61,335,074	–	**180,223,045**
Ivy Sau Ching Chan	20,132,706	–	–	–	**20,132,706**
Karl Chi Leung Kwok	282,462	–	–	–	**282,462**
Wing Sau Li	73,000	–	–	–	**73,000**

* Such shares were held through a corporation wholly owned by Mr David Pun Chan.

All the interests disclosed above represent long positions in the shares of the company.

Save as disclosed above, no directors, chief executive or their associates had any interest or short position in the shares of the company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

During the year, the company did not grant to the directors or chief executive any right to subscribe for shares of the company.

No transactions, arrangements or contracts of significance in relation to the group's business to which the company or its subsidiaries was a party and in which a director of the company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the company or any subsidiary a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

Substantial Shareholders

At 31st March 2019, the register of substantial shareholders maintained under section 336 of the SFO showed that the company has been notified of the following interest, being 5% or more of the company's issued voting shares. This interest is in addition to those disclosed above in respect of the directors and chief executive:

Name	Number of shares
*Chan Poon Wai Kuen	96,185,380

* Madam Chan Poon Wai Kuen is the mother of Mr David Pun Chan, a director of the company.

The interest disclosed above represents a long position in the shares of the company.

Save as disclosed above, the company has not been notified by any other person (other than a director of the company disclosed above) who has an interest or short position in the shares of the company which is required to be recorded in the register kept by the company pursuant to section 336 of the SFO.

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.

Public Float

Based on the information that is publicly available to the company and within the knowledge of the directors, the company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

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 2019.

	2019 (Unaudited) *HK$Million*	2018 (Unaudited) *HK$Million*
Non-current assets, including interest in associates	**214.1**	216.6
Add: Attributable revaluation surplus relating to hotel properties*	**3,478.6**	3,253.5
	3,692.7	3,470.1
Current assets	**7,412.8**	7,603.3
Current liabilities	**(536.8)**	(482.3)
Net current assets	**6,876.0**	7,121.0
Total assets less current liabilities	**10,568.7**	10,591.1
Non-current liabilities	**(3.5)**	(262.2)
Net assets as if the hotel properties were stated at open market value	**10,565.2**	10,328.9
Net assets per ordinary share as if the hotel properties were stated at open market value	**$17.11**	$16.73

* Based on open market valuations as at 31st March 2019 and 2018 respectively, carried out by Cushman & Wakefield Limited, an independent firm of professional valuers.

Major Suppliers and Customers

For the year ended 31st March 2019, the five largest suppliers and the largest supplier of the group accounted for approximately 65% and 28% respectively of the group's total purchases and the five largest customers and the largest customer of the group accounted for approximately 97% and 32% respectively of the group's revenue.

At 31st March 2019, none of the directors, their close associates or any shareholder (which to the knowledge of the directors owned more than 5% of the number of issued shares of the company) had a beneficial interest in any of the group's five largest suppliers or five largest customers.

Business Review

A review of the business of the group during the year and a discussion on the group's future development are provided in the Chairman's Statement on pages 29 to 30.

An analysis of the group's performance during the year using financial key performance indicators is provided in the group's Financial Summary on page 86.

The environmental policies and performance of the group during the year are provided in the Environmental, Social and Governance Report on pages 22 to 28.

The above sections form part of this Report of the Directors.

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 2019, the group's cash net of borrowings was HK$3,528.0 million as compared with HK$3,045.3 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK$483.5 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 4.1% at 31st March 2019 as compared with 3.2% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2019 amounted to HK$96.7 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.

Treasury Policy

The group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the group are denominated either in Hong Kong or United States dollars. Accordingly, the group has minimal exposure to foreign exchange fluctuation. However, the group will closely monitor the overall currency and interest rate exposures and, when considered appropriate, the group will take the necessary actions to ensure that such exposures are properly hedged.

Principal Risks and Uncertainty

Business Risks

The group operates in Hong Kong and the United States. The economic and market conditions including property market sentiment and property values, legislative and regulatory changes, government policies and political conditions in Hong Kong and the United States may have impact on the group's operating results and financial conditions.

Operational Risks

The group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the group's operation.

Financial Risks

The group is subject to financial risks in the normal course of business. Details are set out in note 3 to the consolidated financial statements.

The group has formulated policies for various types of risk. These policies are reviewed and revised from time to time to align with market changes, statutory requirements, and best practices in risk management processes. Ongoing risk assessment process is essential and allows the management to have a complete picture of the group's risks and truly understand the internal controls and risk management processes that mitigate them.

Important Events after Year End

There have been no important events affecting the group that have occurred since the end of the year.

Compliance with Laws and Regulations

During the year, the group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Employees and Emolument Policy

The group, excluding associates, employs a total of 195 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK$64.9 million for the year ended 31st March 2019. The group understands that employees are valuable assets. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme. The group also provides education subsidies to eligible employees.

The emolument policy for the general staff of the group is set up by the management of the group on the basis of their merits, qualifications and competence.

The emoluments of the directors and senior management of the company are reviewed by the Remuneration Committee, having regard to individual duties and market practices.

Relationships with Suppliers and Customers

The group understands that it is important to maintain good relationship with its suppliers and customers to fulfill its immediate and long-term goals. The group strives to maintain fair co-operating relationship with its suppliers and aims at delivering constantly high standards of quality in the products and services to its customers to maintain competitiveness.

Equity-Linked Agreements

For the year ended 31st March 2019, neither the company nor any of its subsidiaries entered into any equity-linked agreement.

Charitable Donations

HK$26,000 was donated during the year.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year.

The company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the company and its subsidiaries.

Contingent Liabilities

The company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Corporate Governance

Details of the corporate governance practices of the company are set out on pages 13 to 21.

Connected Transactions

No transaction entered by the group during the year ended 31st March 2019 constituted a connected transaction under the Listing Rules.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
David Pun Chan
Chairman

Hong Kong, 27th June 2019

(A) Corporate Governance Practices

During the year ended 31st March 2019, all those principles as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "CG Code") were applied by the company, and the relevant code provisions in the CG Code were met by the company, with the exception of certain deviations to be discussed below. The application of the relevant principles, and the reasons for the abovementioned deviations from the CG code provisions, are stated in the following sections.

(B) Directors' Securities Transactions

The company has adopted the Model Code set out in Appendix 10 to the Listing Rules as amended from time to time by the Stock Exchange. All directors have confirmed, following enquiry by the company, that they have complied with the required standard set out in the Model Code throughout the year.

(C) Board of Directors

(i) Composition of the Board, Number of Board/General Meetings and Directors' Attendance

The company's board has a balance of skills and experience and a balanced composition of executive and non-executive directors. The board comprises Mr David Pun Chan (Chairman and Managing Director), 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. Ms Ivy Sau Ching Chan is the sister of Mr David Pun Chan.

Four board meetings and an annual general meeting were held during the year ended 31st March 2019. The attendance of the directors is set out below:

Directors	Attendance at Board Meetings	Attendance at Annual General Meeting
David Pun Chan, *Chairman*	4	1
Ivy Sau Ching Chan	4	1
Joseph Wing Siu Cheung	4	1
Karl Chi Leung Kwok	4	1
Man Sing Kwong	4	1
William Wai Lim Lam	4	1
Wing Sau Li	4	1

Each director of the company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the group and its business. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Board Diversity

The company's board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the board. The Policy provides that selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, interpersonal skills, functional expertise and length of services.

The existing board members are well experienced in the construction industry, property development, investment, banking and finance businesses. Some of them are professionals in finance, accounting, legal and project management with more than 30 years of experience.

In view of the present size and complexities of the group's operations and the nature of the risks and challenges it faces, the board considers the company has struck a right balance of skills, experience and knowledge among the present board members.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and to review the same annually taking into consideration specific needs for the group's business.

(iii) Operation of the Board

The company is headed by an effective board which takes decisions objectively in the interests of the company. The company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensive assessment of the group's performance, position and prospects. Where these changes are pertinent to the company or directors' disclosure obligations, the directors are either briefed during board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the group. Newly appointed directors receive briefings and materials on their legal and other responsibilities as a director and the role of the board. The company has also provided appropriate information in a timely manner to the directors to enable them to make an informed decision and to discharge their duties and responsibilities as directors of the company.

There is a clear division of responsibilities between the board and the management. Decisions on important matters are specifically reserved to the board while decisions on the group's general operations are delegated to the management. Important matters include those affecting the group's strategic policies, major investment and funding decisions and major commitments relating to the group's operations.

The company has arranged appropriate insurance cover in respect of legal actions against its directors and officers.

(iv) Re-election of Directors

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.

(v) Directors' Continuous Professional Development

The company encourages directors to participate in continuous professional development to develop and refresh their knowledge and skills needed for acting as a director of the company.

According to the training records provided by the directors to the company, all directors participated in continuous professional development during the year by reading materials or attending seminars on topics relevant to directors' duties and responsibilities.

(D) Chairman and Chief Executive Officer

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.

(E) Non-executive Directors

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.

(F) Board Committees

(i) Remuneration Committee

The company has set up a Remuneration Committee consisting of a non-executive director and two independent non-executive directors.

One Remuneration Committee meeting was held during the year ended 31st March 2019. Attendance of the Members is set out below:

Members	Attendance at Meeting
Karl Chi Leung Kwok, *Chairman of the Committee*	1
Ivy Sau Ching Chan	1
Man Sing Kwong	1

The main duties of the Remuneration Committee are to review and recommend remuneration policy and packages of directors and senior management of the company. The terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Remuneration Committee for the year ended 31st March 2019 is summarized below:

(a) review of the company's policy and structure for all directors' and senior management remuneration;

(b) making recommendations to the board on the remuneration packages of individual executive directors and senior management; and

(c) review of the level of fees for directors.

The basis of determining the emoluments payable to its directors and senior management by the company is by reference to individual duties and market practices. The basis of determining the directors' fees (2018: HK$200,000 for each director) is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. The directors' fees are subject to approval from time to time by shareholders at annual general meetings of the company.

(ii) Nomination Committee

The company has set up a Nomination Committee consisting of the Chairman of the board and two independent non-executive directors.

One Nomination Committee meeting was held during the year ended 31st March 2019. Attendance of the Members is set out below:

Members	Attendance at Meeting
David Pun Chan, *Chairman of the Committee*	1
Karl Chi Leung Kwok	1
Man Sing Kwong	1

The main duties of the Nomination Committee are to review the structure, size and diversity of the board; and to identify, select and nominate suitable individuals for appointment as directors of the company. The latest update of the terms of reference of the Nomination Committee were approved and adopted by the board to align with the code provisions set out in the revised CG Code and are available on the company's website.

The board adopted a Director Nomination Policy in November 2018. The Nomination Committee shall nominate suitable candidates for directorships to ensure that the board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the company's business, while taking into account of board succession planning considerations and strategies for the ongoing effective performance of the board as a whole. The ultimate responsibility for selection and appointment of directors rests with the entire board.

The Nomination Committee shall consider the following criteria in assessing the suitability of a proposed candidate:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the company's business and corporate strategy;
- willingness to devote adequate time to discharge duties as a board member and other directorships and significant commitments;
- requirement for the board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- considerations as stipulated in the company's Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the board; and
- such other perspectives appropriate to the company's business.

Each proposed new appointment, election or re-election of a director shall be assessed against the criteria and provisions set out in the Director Nomination Policy by the Nomination Committee which shall make recommendation or nomination for the board's consideration.

The Nomination Committee shall monitor the implementation of the Director Nomination Policy and conduct periodical review of the policy to ensure that it remains relevant to the company's needs and reflects both current regulatory requirements and good corporate governance practice.

The work performed by the Nomination Committee for the year ended 31st March 2019 is summarized below:

(a) review of the structure, size and composition of the board;

(b) considering the independence of each independent non-executive director;

(c) review of Board Diversity Policy; and

(d) making recommendation to the board on the re-election of retiring directors at the company's forthcoming annual general meeting.

No new members have been appointed to the board during the year.

(iii) Audit Committee

The company has set up an Audit Committee consisting of a non-executive director and three independent non-executive directors.

Two Audit Committee meetings were held during the year ended 31st March 2019. Attendance of the Members is set out below:

Members	Attendance at Meetings
Karl Chi Leung Kwok, *Chairman of the Committee*	2
Ivy Sau Ching Chan	2
Joseph Wing Siu Cheung	2
Man Sing Kwong	2

The main duties of the Audit Committee are to provide an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the group. The terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Audit Committee for the year ended 31st March 2019 is summarized below:

(a) approval of the remuneration and terms of engagement of the external auditor;

(b) review of the half-year and annual financial statements before submission to the board;

(c) review of the internal audit findings and internal audit plan;

(d) review of the effectiveness of the risk management and internal control systems of the group;

(e) review of the external auditor's audit plan; and

(f) making recommendation to the board on the re-appointment of external auditor.

(iv) Corporate Governance Function

The board is responsible for performing the corporate governance duties including:

(a) develop and review the company's policies and practices on corporate governance;

(b) review and monitor the training and continuous professional development of directors and senior management;

(c) review and monitor the company's policies and practices on compliance with legal and regulatory requirements;

(d) develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) review the company's compliance with the CG Code and disclosure in the Corporate Governance Report.

(G) Auditor's Remuneration

The fees in relation to the audit and other services provided by the external auditors of the company, amounted to HK$1.7 million and HK$0.1 million respectively.

(H) Risk Management and Internal Control

The directors are ultimately responsible for the risk management and internal control systems of the group and, through the Audit Committee, have reviewed the effectiveness of the systems. The risk management and internal control systems comprise a well-defined organizational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The group conducts a risk assessment on the existing or potential risks of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the group determines the action plans, management targets and the management is responsible for managing their respective day-to-day operating risks, and implementing measures to mitigate such risks.

The company has an internal audit function. It monitors compliance with policies and standards and the effectiveness of internal control structures across the whole group. The Internal Audit Manager reports to the Audit Committee. The Audit Committee assesses the effectiveness of the risk management and internal control systems by reviewing the work of internal audit and its findings. A follow-up review will be performed by Internal Audit Manager when necessary.

The company is required to disclose inside information as soon as practicable in accordance with the SFO and the Listing Rules. It ensures, through its internal reporting processes, the appropriate handling and dissemination of inside information. Reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the group, which include:

- The access of inside information is restricted to a limited number of employees (mainly senior management and directors) on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- The company has adopted the Model Code as its model code for securities transactions by the directors and guidelines on insider dealing on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of inside information.

- All employees are required to strictly adhere to the relevant company code of conduct and staff handbook adopted which include a prohibition on the unauthorized use of confidential information.

During the year, a review of the effectiveness of the group's risk management and internal control systems and procedures was conducted by the Audit Committee and subsequently reported to the board. The review covered all material controls, including financial, operational and compliance controls. It also considered the adequacy of resources, qualifications and experience of staff of the group's accounting, internal audit and financial reporting functions, and their training programmes and budget. The board continuously oversees the group's risk management and internal control systems. Based on the result of the review in respect of the year ended 31st March 2019, the directors considered that the risk management and internal control systems and procedures of the group were effective and adequate.

(I) Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of consolidated financial statements of the company and its subsidiaries that give a true and fair view in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the consolidated financial statements for the year ended 31st March 2019, the directors have ensured the selection of suitable accounting policies and consistent application thereof; made judgments and estimates that are prudent and reasonable, stated the reasons for any significant departures from applicable accounting standards and ensured the going concern basis of presentation has been applied.

The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the consolidated financial statements of the company and its subsidiaries, is set out on pages 81 to 84.

(J) Dividend Policy

The board adopted a Dividend Policy in November 2018. It is the policy of the board, in considering the payment of dividends, to allow shareholders of the company to participate in the company's profits whilst retaining adequate reserves for the group's future growth. The board shall consider the following factors before declaring or recommending dividends:

- the company's actual and expected financial performance;
- retained earnings and distributable reserves of the company and each of the members of the group;
- the group's working capital requirements, capital expenditure requirements and future expansion plans;
- the group's liquidity position;
- general economic conditions, business cycle of the group's business and other internal or external factors that may have an impact on the business or financial performance and position of the company; and
- other factors that the board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Bermuda and the company's Bye-laws. The board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

(K) Shareholders' Rights

(i) Convening a Special General Meeting

Pursuant to Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act"), shareholders holding not less than one-tenth (10%) of the paid-up capital of the company carrying voting rights at general meetings of the company are entitled to make a requisition to the board to convene a special general meeting ("SGM").

The requisition stating the purposes of the meeting, duly signed by the requisitionists must be deposited at the registered office or head office of the company.

(ii) Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Companies Act, shareholders holding not less than one-twentieth (5%) of the total voting rights of the company, or not less than 100 shareholders are entitled to put forward a proposal at a general meeting of the company.

The requisition specifying the proposal, duly signed by the requisitionists, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office or head office of the company.

(iii) Proposing a Person for Election as a Director

Details of the procedures for proposing a person for election as a director are available on the company's website.

(iv) Putting Enquiries to the Board

Shareholders may send their enquiries to the board in writing through the Company Secretary at the head office (e-mail: tcpl@taicheung.com).

(L) Constitutional Documents

There was no change to the company's Memorandum of Association and Bye-laws during the year.

This Environmental, Social and Governance (ESG) Report (the "ESG Report") covered the financial year from 1st April 2018 to 31st March 2019 (the "year") and is prepared in accordance with the ESG Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Listing Rules. The reporting scope focuses on the group's property development and property management activities in Hong Kong, which are the group's main operations. Information relating to the group's corporate governance practices are disclosed separately in Corporate Governance Report on pages 13 to 21.

The board is responsible for the group's ESG strategy setting and reporting, and overseeing the implementation of relevant policies. In order to identify material and relevant ESG issues, the group engaged the company's stakeholders through holding internal meetings and discussions, in addition to benchmarking sustainability efforts with a number of industry peers. An independent consultant has also been appointed to provide ESG reporting and consultancy services for this report. The identified material aspects are listed as follows:

Aspects as set forth in the ESG Guide		**Material Issues**
A. Environmental	A1: Emissions	• Managing Greenhouse Gas Emissions • Waste Management
	A2: Use of Resources	• Achieving Higher Energy Efficiency • Reducing the Use of Water
	A3: The Environment and Natural Resources	• Managing Environmental Impact
B. Social	B1: Employment	• Employment and Labour Practices
	B2: Health and Safety	• Occupational Health and Safety
	B3: Development and Training	• Staff Development and Training
	B4: Labour Standards	• Employment and Labour Practices
	B5: Supply Chain Management	• Supply Chain Management
	B6: Product Responsibility	• Product Responsibility
	B7: Anti-corruption	• Anti-corruption Practices
	B8: Community Investment	• Community Investment

Environmental Performance

Environmental Policy

The group demonstrates its commitment to sustainable development and responsible environmental stewardship through an environmental policy in place. Specifically, the group is committed to:

- Giving due consideration to environmental issues in its corporate decision-making process
- Actively minimizing the impact of its business operations on the environment
- Following environmental sustainable development principles and complying with all applicable environmental laws and regulations
- Following eco-friendly construction and management practices
- Making efficient use of resources and minimizing waste in its daily operations
- Giving priority to environmentally-friendly designs, materials and construction approaches and exploring green alternatives for its projects
- Favouring consultants, contractors and suppliers who follow environmentally-friendly practices when providing their designs, services and products
- Enhancing environmental awareness among its staff members, business partners and the public

In light of the emerging environmental challenges, the group shall constantly review and refine the environmental policy to enhance its preparedness and to reduce its environmental footprints.

Emissions

Managing Greenhouse Gas Emissions

The group understands that greenhouse gas and air pollutant emissions in its business operations would contribute to global warming and air pollution with adverse impacts. As an environmentally-responsible company, the group is committed to carrying out mitigating measures to demonstrate its determination in combating emissions.

Electricity contributes to the largest part of the group's indirect greenhouse gas and air pollutant emissions. The group has implemented initiatives to reduce electricity consumption in order to lower the indirect greenhouse gas emissions. Throughout the year, the group continuously reviews its performances to identify any improvement areas. Details of the measures to control energy usage are addressed in the paragraphs under the heading of "Achieving Higher Energy Efficiency".

Waste Management

In light of relieving the burden on Hong Kong's landfill, the group proactively reduces the generation of waste and manages waste in an environmentally friendly manner. The group takes initiatives to reduce waste at source by encouraging staff to minimize the generation of waste.

During the year, the group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the group.

Use of Resources

Achieving Higher Energy Efficiency

Electricity is attributable to the majority of the group's energy consumption. To achieve optimal energy performance, the group has invested resources to reduce energy usage from the office setting to the properties it manages and the construction sites.

During the year, the group continued to replace lighting fixtures that have better performance and are more energy efficient. A number of the lighting systems have adopted "energy efficient lamps and luminaires" as recommended by the Electrical and Mechanical Services Department.

In addition, the group is devoted to minimizing the wastage of electricity in the office. Employees are encouraged to switch off unnecessary lightings, computers and electrical equipment when not in use. The group also extends its energy saving practices by reducing the number of lifts operating at mid-night.

The group also takes environmental considerations into building designs. At the Repulse Bay project, the group has installed insulated glass units on the building envelope to conserve energy while enhancing interior comfort.

Reducing the Use of Water

As the group's major businesses are sited in Hong Kong, there is not any significant issue in sourcing water for daily operations. Nevertheless, the group sees water as a valuable resource to conserve. In this endeavor, the group is devoted to reducing the use of water through adopting water reduction practices and upgrading water-efficient fixtures. The group also actively promotes water efficient practices and is committed to enhancing the awareness of water conservation among its staff, contractors and customers.

Environment and Natural Resources

Managing Environmental Impact

As a property developer, the group recognizes its responsibilities and obligations to uphold environmental stewardships and reduce environmental impact. In addition to adhering to strict environmental policies and guidelines, the group places an emphasis on implementing mitigation measures and promoting environmental consciousness.

The group constantly looks for ways to reduce its environmental footprints by optimizing resource consumption. During the year, the group has started to sign up for the e-Bill Service to receive electronic water bills by email in replacement of paper bills. This initiative translates into the group's commitment to make efficient use of resources.

The improper handling of construction waste could potentially lead to contamination in the surrounding environment. With this in mind, the group conducts strict supervision in the construction project while collecting and transporting the waste and the wastewater produced. For instance, the group has installed the on-site water treatment plant for the Repulse Bay project to filter runoff and effluent before discharge.

Biodiversity is important. Over 50% of the site areas in the Repulse Bay project are covered by greenery, providing a nature habitat for wildlife while protecting ecological balance.

Social Performance

Corporate Social Responsibility Policy

To define the group's approach to reconcile its commercial objectives with the long-term imperatives of sustainable growth, social prosperity and well-being, it has developed a Corporate Social Responsibility (CSR) Policy. The policy states that the group is committed to:

- Complying with all applicable legal and regulatory requirements on CSR matters
- Minimizing the potential impact of its activities on the environment
- Fulfilling its responsibilities to the societies and communities in which it operates
- Behaving with honesty and integrity in all its activities and rejecting bribery and corruption in all its forms
- Providing a safe and healthy working environment to all its employees and inspiring them to grow with the group
- Enhancing CSR awareness among its staff members, contractors and suppliers

The group constantly reviews its CSR Policy to ensure its relevance and effectiveness.

Employment and Labour Practices

The group believes that human resource is one of its most valuable assets towards corporate success and endeavors to create a positive and cohesive working environment for its employees. With recruitment policies and staff appraisal system in place, internal employment and incentive processes are standardized and regulated by the management of the group, and strictly executed by the Human Resources Department to attract and retain valuable talents.

Remuneration packages are offered to eligible group employees with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

In order to maintain a high degree of integrity, all employees are required to comply with a set of code of conduct, which is a central guide based on the group's core values. The code of conduct sets out the conduct requirements and guidelines on matters including bribery prevention, conflicts of interest, compliance with government laws and regulations, relationship with suppliers, contractors and customers. The group also provides briefing sessions for employees to communicate how the conduct governs the behavior of the organization.

Human resources policies are detailed in the staff handbook provided to staff and communicated to them on the group's intranet. The policies deal with matters including recruitment, salary adjustments and promotions, working hours, rest periods, benefits and welfare. An equal employment opportunity policy has been fully developed and implemented by the management of the group to support the building of a working environment that values diversity and inclusion, free from any kind of discriminations including gender, age, disability, family status, race or sexual orientation.

During the year, the group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours and rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare that have a significant impact on the group.

The group strictly prohibits to recruit any illegal labour, including child labour and forced labour. The employment processes are monitored and regulated by the management of the group.

During the year, the group was not aware of any material non-compliance with laws and regulations relating to preventing child and forced labour that have a significant impact on the group.

Occupational Health and Safety

The group takes protecting employees' health and safety as one of its corporate social responsibilities and strives to create a safety working environment through establishing workplace safety guidelines, providing safety trainings and adopting emergency measures in compliance with local legislations and regulations. The group provides protective equipment, trainings and guidelines based on employees job natures. Frontline workers at the group's construction sites are required to have specific working permits on sites before starting works.

Furthermore, the group arranges regular health seminars and events for all employees to promote a safe and healthy culture in the workplace.

During the year, the group was not aware of any material non-compliance with laws and regulations relating to occupational health and safety that have a significant impact on the group.

Staff Development and Training

Recognizing that knowledge and skills of employees are vital to the group's continued business growth and success, the group has policy in place to support eligible employees who take part in continuous professional development training, including seminars and workshops.

The group also provides education subsidies encouraging eligible employees to develop their skills and broaden their job-related knowledge.

For new employees, the group provides induction trainings to help them to get ready for their positions as soon as possible.

Supply Chain Management

The group's overarching principle is to maintain a long-term win-win cooperation relationship with its suppliers, thereby developing properties with high quality and livability as well as delivering comfort and an aesthetically pleasing experience to its customers.

The group's suppliers generally include architects, consultants, contractors, material suppliers and designers. The group has a holistic approach on supplier selection and assessment, considering their credits, reputations, product and service quality, while paying due consideration to their environmental and social performance before listing them on the group's eligible suppliers list.

The group would like to share its belief in sustainable growth with its suppliers, underscoring the adoption of environmentally-friendly building materials and eliminating employment misconduct in their daily operations. The group would also consider selecting regionally manufactured material suppliers to reduce the environmental footprints caused by material transportation.

In addition to the general supplier selection assessment, a responsible departmental taskforce of the group communicates closely with suppliers and monitors their performance. All suppliers engaged are required to comply with relevant performance standards, and periodic reviews are rigorously conducted to ensure compliance.

Product Responsibility

The group endeavors to safeguard occupiers' health and well-being by optimizing the living and working environment of its building developments. Quality and safety are the group's core values and are embedded through careful planning in design and construction, and maintained in operation and maintenance management.

The group's property management subsidiary has a quality management system conforming ISO 9001 to ensure that its service quality is in line with international best practices. It also conducts safety and environmental inspections on a regular basis to ensure good ESG performance.

The group proactively seeks feedback from external stakeholders about its customer service. Satisfaction surveys are conducted among customers and occupiers from time to time, thereby continuously improving and tailoring the group's services to provide exemplary customer experience.

The group attaches importance to customer's data privacy and is dedicated to abiding by the requirements of the Personal Data (Privacy) Ordinance of Hong Kong. Customers' private information collected by the group is confidential and securely managed by the group.

During the year, the group was not aware of any incidents of material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to the products and services provided and methods of redress, that have a significant impact on the group.

Anti-corruption

The group takes a zero-tolerance approach to bribery and corruption and is committed to conducting business with integrity and complying in full with the laws and regulations of those countries in which it operates. In addition to the code of conduct, the group has also adopted an anti-corruption policy to ensure that it fully implemented its approach. The policy aims to raise overall awareness and provides guidance on how to recognize and deal with bribery and corruption issues. It sets out requirements relating to reporting, monitoring and controlling relevant issues. All employees, officers and directors within the group are required to comply with the policy.

Seminars on integrity and the prevention of corruption conducted by the Independent Commission Against Corruption (ICAC) are regularly arranged to ensure that all employees, particularly new joiners, are familiar with the relevant laws and regulatory requirements.

Ongoing review of the effectiveness of the risk management and internal control systems is conducted on a regular basis in preventing the occurrence of bribery, extortion, fraud and money laundering activities.

During the year, the group was not aware of any material breach of laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the group.

Community Investment

The group recognizes the inextricable connection between its continuous success and community prosperity, acting as a responsible and constructive corporate citizen and devoting itself to developing a sustainable local community.

To genuinely carry out its social responsibility, the group applied community responsibility-related content in the adopted CSR Policy and implemented it accordingly.

During the year, the group contributed to the communities by making charitable donations, as well as encouraging its employees to participate in volunteer services. In addition, the group took part in meaningful environmental events to communicate its environmental values with employees and raise their awareness in environmental protection.

Looking Forward

As an established property developer in the local property industry, the group endeavors to excel continuously at property development and management. The group holds fast to the core values through the provisions of properties and management services with modern architectural style, premium quality and meticulous care. A sustainable approach has been fully incorporated into the corporate culture and governance structure. The group is engaged to continuously explore ways to enhance its sustainability performance and competitiveness, so as to cope with foreseeable ESG challenges in the future.

Performance Table

Environmental Performance

		Performance of the group	
Key Performance Indicator	**Unit**	**2019**	2018
Greenhouse Gas (GHG) Emissions			
Total GHG Emissions	tonnes CO_2e-	14,363.46	13,939.25
GHG Emission Intensity		62.99	61.13
Non-Hazardous Waste			
Total Non-Hazardous Waste	tonnes	2,000.68	4,236.51
Non-Hazardous Waste Intensity		8.77	18.58
Energy Usage			
Total Electricity Consumption	MWh	23,770.96	23,163.64
Electricity Consumption Intensity		104.24	101.58
Water Consumption			
Total Water Consumption	m^3	47,863.00	45,656.00
Water Consumption Intensity		210.62	200.91

Remarks:

- The performance data is collected from the group's development project, properties managed by its property management subsidiary, and its head office. The intensities are calculated per thousand square meters of floor area.
- Total GHG emissions mainly come from energy indirect emissions, i.e. electricity consumption.
- Total non-hazardous waste discharge decreased significantly during the year comparing to the previous reporting year mainly due to less construction activities. Other performance figures increased slightly during the year comparing to the previous reporting year mainly due to higher electricity consumption resulting from the increase in the number of occupants in certain premises, and higher water consumption upon completion of the group's development project.
- All other aspects of key performance indicator not mentioned above were concluded to be not relevant for disclosure.

Financial 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 2019 amounted to HK$231.6 million (2018: HK$354.7 million). The decrease in profit was mainly due to declined property sales.

An interim dividend of HK 12 cents per share was paid on 3rd January 2019. The board has recommended the payment of a final dividend of HK 23 cents per share to the shareholders on the register of members of the company on 9th September 2019. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 18th September 2019 and the total dividend for the year will be HK 35 cents per share.

Property Development

Certificate of compliance has been issued for our Repulse Bay project. The project was named "Pulsa". Preparation works for sales launch have begun. This super luxurious residential development enjoys stunning sea views over the Repulse Bay, complemented by lush greenery to provide a tranquil and aesthetic environment. It consists of eight houses with clubhouse facilities, offering a blend of superior quality and relaxing lifestyle. With its exquisite and outstanding exterior design, the luxury accommodation becomes a new landmark in the vicinity.

During the year, sales of the remaining units at Metropole Square proceeded well and recorded solid performance. Nearly all the units have been sold as at 31st March 2019.

French Valley Airport Center, an industrial and commercial project in California, is being developed in phases. Advantageously located adjacent to French Valley Airport, the development will be a well-designed business center comprising single-storey buildings with ancillary facilities. Upon full completion, this modern architecture will offer brand new, high-quality and energy efficient construction convenient to business owners and customers alike. Phase I and II of the project were completed in the first quarter of 2019 and sales have been launched. Superstructural work of the remaining phases are progressing well and expected to be completed from the second half of 2020 onwards.

Hotel

Sheraton-Hong Kong Hotel, in which the group has 35% interest, continued to uphold its position among the most prestigious 5-star hotels in Hong Kong. Sustained growth in inbound tourism with a visible increase in Mainland visitor arrivals helped boost demand for hotels in Hong Kong. During the year, the hotel delivered encouraging performance, evidenced by its high occupancy and improved room rates. Rental of the whole hotel shopping mall, which is being leased by Sogo, continued to secure solid income for the hotel.

With the opening of Guangzhou-Shenzhen-Hong Kong high speed railway and Hong Kong-Zhuhai-Macau Bridge, we are expecting the continuous gradual increase of visitors' arrivals. The long-term prospects of the local hotel industry remain favourable.

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 returns to our shareholders.

Besides, the group's interest in the hotel is an investment in prime location with a long term perspective. It provides a stable, recurring source of income for the group.

In determining its business strategy, the group takes into consideration market opportunities, the group's financial resources and its core competence, while exercising prudent and disciplined financial management at all times.

Taking pride in its long history in the business and strong financial capability, the group endeavors to achieve long term sustainable growth of its business in preserving and enhancing the shareholders' value.

Prospects

Increased uncertainties arising from the volatile status of US-China trading relationship and recent political incidents here in Hong Kong are likely to keep market sentiment and conditions unsettled for some time. The US Federal Reserve has signalled an openness to cut interest rates in response to trade war risks, meaning a possible continuation of the low interest rate era in Hong Kong. The local Government strives to promote diversified development which helps to offset some negative impacts of US-China trade frictions. The development of the Greater Bay Area has entered into a stage of its full-fledged implementation. It is expected that it will bring Hong Kong advantages from mutually beneficial cooperation.

The local residential market showed signs of revival in the first quarter of 2019. New quality supply of luxury residential units is very limited, especially in traditional prime locations. The luxury segment is likely to remain more resilient to faltering market sentiment. We are confident in the potential of our Repulse Bay project and believe it would generate high return for our shareholders.

While the external risk factors are unpredictable, Hong Kong is capable of expanding its fiscal policy to support economic growth. With a strong balance sheet and ample cash on hand, the group is well poised to navigate any unexpected external turbulence. We will continue to pursue opportunities to replenish our land bank with development potential.

Finally, I would like to thank all staff for their loyal support and hard work.

David Pun Chan
Chairman
Hong Kong, 27th June 2019

Consolidated Income Statement

(For the year ended 31st March 2019)

	Note	2019 HK$Million	2018 HK$Million
Revenue	5	**368.4**	1,103.6
Cost of sales		**(306.5)**	(871.1)
Gross profit		**61.9**	232.5
Other income and gains/(losses), net	6	**72.1**	46.8
Administrative expenses		**(57.2)**	(58.1)
Gain on disposal of associates		**–**	20.4
Operating profit	7	**76.8**	241.6
Share of results of associates, net of tax		**158.0**	144.7
Profit before income tax		**234.8**	386.3
Income tax expense	12	**(3.2)**	(31.6)
Profit attributable to equity holders of the company		**231.6**	354.7
Dividends	13	**216.1**	216.1
Earnings per share (basic and diluted)	14	**$0.38**	$0.57

Consolidated Statement of Comprehensive Income

(For the year ended 31st March 2019)

	Note	**2019** **HK$Million**	2018 HK$Million
Profit for the year		**231.6**	354.7
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive (loss)/income of an associate	*27*	**(4.4)**	3.5
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Change in fair value on available-for-sale financial assets	*27*	**–**	(23.8)
Exchange differences	*27*	**0.1**	1.3
		(4.3)	(19.0)
Total comprehensive income for the year and attributable to equity holders of the company		**227.3**	335.7

Consolidated Balance Sheet

(As at 31st March 2019)

	Note	2019 HK$Million	2018 HK$Million
Non-current assets			
Property, plant and equipment	15	**11.1**	11.9
Associates	16	**137.2**	114.6
Amount due from an associate	16	**24.6**	–
Available-for-sale financial assets	17	**–**	49.9
Deferred income tax assets	25	**41.0**	40.0
Mortgage loans receivable	18	**0.2**	0.2
		214.1	216.6
Current assets			
Properties for sale	19	**3,250.0**	3,242.6
Properties under development	20	**288.5**	410.8
Debtors and other receivables	21	**14.6**	650.2
Financial assets at fair value through profit or loss	17	**41.8**	–
Amount due from an associate	16	**–**	24.6
Bank balances and cash	22	**3,817.9**	3,275.1
		7,412.8	7,603.3
Current liabilities			
Creditors and other payables	23	**242.6**	419.0
Borrowings	24	**289.9**	–
Current income tax liabilities		**4.3**	63.3
		536.8	482.3
Net current assets		**6,876.0**	7,121.0
Total assets less current liabilities		**7,090.1**	7,337.6
Non-current liabilities			
Borrowings	24	**–**	229.8
Deferred income tax liabilities	25	**3.5**	32.4
		3.5	262.2
Net assets		**7,086.6**	7,075.4
Equity			
Share capital	26	**61.7**	61.7
Reserves	27	**6,882.9**	6,871.7
Proposed final dividend	27	**142.0**	142.0
Total equity		**7,086.6**	7,075.4

Approved by the Board of Directors on 27th June 2019.

David Pun Chan
Director

Wing Sau Li
Director

Consolidated Statement of Changes in Equity

(For the year ended 31st March 2019)

	Note	**2019** **HK$Million**	2018 HK$Million
Total equity at the beginning of the year		**7,075.4**	6,943.5
Profit for the year	27	**231.6**	354.7
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive (loss)/income of an associate	27	**(4.4)**	3.5
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Change in fair value on available-for-sale financial assets	27	**–**	(23.8)
Exchange differences	27	**0.1**	1.3
Total comprehensive income for the year		**227.3**	335.7
Transaction with equity holders:			
Dividends	27	**(216.1)**	(203.8)
Total equity at the end of the year		**7,086.6**	7,075.4

Consolidated Statement of Cash Flows

(For the year ended 31st March 2019)

	Note	2019 HK$Million	2018 HK$Million
Cash flows from operating activities			
Cash generated from operations	*31(a)*	**599.3**	681.0
Interest paid		**(15.8)**	(10.1)
Hong Kong profits tax paid		**(92.1)**	(116.3)
Net cash from operating activities		**491.4**	554.6
Cash flows from investing activities			
Purchases of property, plant and equipment		**(0.1)**	(1.2)
Interest received		**74.6**	29.5
Dividends received from associates		**131.0**	131.0
Additions to available-for-sale financial assets		**–**	(2.1)
Additions to financial assets at fair value through profit or loss		**(0.2)**	–
Investment income/distributions from available-for-sale financial assets		**–**	16.0
Distributions from financial assets at fair value through profit or loss		**2.1**	–
Decrease in mortgage loans receivable		**–**	0.2
Proceed from disposal of associates		**–**	42.6
Net cash from investing activities		**207.4**	216.0
Cash flows from financing activities			
Drawdowns of borrowings		**60.1**	75.4
Repayments of borrowings		**–**	(36.5)
Dividends paid		**(216.1)**	(203.8)
Net cash used in financing activities		**(156.0)**	(164.9)
Net increase in bank balances and cash		**542.8**	605.7
Bank balances and cash at the beginning of the year		**3,275.1**	2,669.4
Bank balances and cash at the end of the year		**3,817.9**	3,275.1

1. General Information

Tai Cheung Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

The company is listed on the main board of The Stock Exchange of Hong Kong Limited.

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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 ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(b) New standards, amendments to existing standards, interpretation and improvement effective in 2018/19 and adopted by the group

During the year, the group adopted the following new standards, amendments to existing standards, interpretation and improvement which are effective in 2018/19:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements	Annual Improvements to HKFRSs 2014-2016 Cycle

2. Principal Accounting Policies (continued)

(b) New standards, amendments to existing standards, interpretation and improvement effective in 2018/19 and adopted by the group (continued)

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in note 2(d) below.

The adoption of other new standards, amendments to existing standards, interpretation and improvement does not have any significant change to the accounting policies or any significant effect on the results and financial position of the group.

(c) New standards, amendments to existing standards, interpretations and improvements that are not yet effective

The following new standards, amendments to existing standards, interpretations and improvements have been published which are mandatory for the group's accounting periods beginning on or after 1st April 2019 but have not been early adopted by the group:

HKAS 1 and HKAS 8 (Amendment)	Definition of Material[2]
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures[1]
HKFRS 3 (Amendment)	Definition of a Business[2]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities[1]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]
Annual Improvements	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for accounting periods beginning on 1st January 2019
2 Effective for accounting periods beginning on 1st January 2020
3 Effective for accounting periods beginning on 1st January 2021
4 Effective date to be determined

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for group's operating leases. As at 31 March 2019, the group has non-cancellable operating lease commitments of HK$6.0 million. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

None of the remaining new standards, amendments to existing standards, interpretations and improvements is expected to have a significant effect on the consolidated financial statements of the group.

2. Principal Accounting Policies (continued)

(d) Changes in accounting policies

The group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained profits as at 1st April 2018 and comparative figures had not been restated. The new accounting policies are set out below and the adjustments to the consolidated financial statements are set out in note 2(d)*(iii)*.

(i) HKFRS 9 – Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1st April 2018 results in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 2(i) . In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(ii) HKFRS 15 – Revenue from contracts with customers

HKFRS 15 replaces HKAS 18 "Revenue" which covers contracts for goods and services and HKAS 11 "Construction Contracts" which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control of goods or services transfer to a customer.

In prior reporting periods, the group recognised revenue from sale of properties when significant risks and rewards of ownership of properties have been transferred to the customers.

The new accounting policy for property development activities are set out in note 2(o)*(i)*.

2. Principal Accounting Policies (continued)

(d) Changes in accounting policies (continued)

(iii) Impact on the consolidated financial statements

The group has applied HKFRS 9 and HKFRS 15 retrospectively from 1st April 2018. As permitted by the respective transitional provisions of these accounting standards, comparative figures were not restated. The reclassifications and adjustments were recognised in the opening consolidated balance sheet on 1st April 2018. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	As at 31st March 2018 as previously stated *HK$Million*	Effect of the adoption of HKFRS 9 *HK$Million*	As at 1st April 2018 restated *HK$Million*
Non-current assets			
Available-for-sale financial assets	**49.9**	**(49.9)**	**–**
Current assets			
Financial assets at fair value through profit or loss	**–**	**49.9**	**49.9**
Equity			
Revaluation reserve	**24.3**	**(24.3)**	**–**
Retained profits	**6,637.0**	**24.3**	**6,661.3**

Upon adoption of HKFRS 9, available-for-sale financial assets with carrying amount of HK$49.9 million did not meet the criteria to be classified as financial assets at fair value through other comprehensive income and were reclassified to financial assets at fair value through profit or loss on 1st April 2018. The corresponding accumulated fair value gains of HK$24.3 million were transferred from revaluation reserve to retained profits on 1st April 2018. Subsequent fair value changes will be recognised in the profit or loss. For the year ended 31st March 2019, fair value loss of HK$6.2 million was recognised in the consolidated income statement.

The adoption of the new impairment model as at 1st April 2018 has not resulted in material impact on the carrying amount of the group's financial assets nor on the consolidated income statement for the year ended 31st March 2019.

The adoption of HKFRS 15 has no impact to the opening consolidated balance sheet on 1st April 2018, the consolidated balance sheet as at 31st March 2019 nor the consolidated income statement for the year ended 31st March 2019.

2. Principal Accounting Policies (continued)

(e) Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transaction, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement, as appropriate. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

2. Principal Accounting Policies (continued)

(e) Consolidation (continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(iii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The group's investments in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

The group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the consolidated income statement.

2. Principal Accounting Policies (continued)

(e) Consolidation (continued)

(iii) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associates has been changed where necessary to ensure consistency with the accounting policies adopted by the group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Leasehold land classified as finance lease	Over their remaining lease term
Buildings	Shorter of remaining lease term or useful lives
Vehicles, fixtures and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

2. Principal Accounting Policies (continued)

(g) Properties under Development and for Sale

Properties under development and for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises land acquisition costs, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to properties for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(h) Impairment of Investments in Subsidiaries, Associates and Non-financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial Assets

(i) Classification

From 1st April 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

2. Principal Accounting Policies (continued)

(i) Financial Assets (continued)

(i) Classification (continued)

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented in other gains/(losses) in the consolidated income statement.

2. Principal Accounting Policies (continued)

(i) Financial Assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented in other gains/(losses) in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. Principal Accounting Policies (continued)

(i) Financial Assets (continued)

(iv) Impairment

From 1st April 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The group measures the loss allowance using a lifetime expected loss for trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical observed default rates adjusted for forward-looking estimates. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment losses on trade and other debtors are recognised within operating profit. Trade and other debtors are written off (either partially or in full) when there is no reasonable expectation of recovery.

(v) Accounting policies applied until 31st March 2018

The group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The group determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the reporting period. These are classified as non-current assets. Loans and receivables include mortgage loans receivable, debtors and deposits, bank balances and cash and amounts due from associates.

2. Principal Accounting Policies (continued)

(i) Financial Assets (continued)

(v) *Accounting policies applied until 31st March 2018 (continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months from the end of reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Both loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Loans and receivables are subsequently carried at amortised cost.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

The group assesses at the end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that equity security previously recognised in the consolidated income statement – is reclassified from equity to the consolidated income statement. Such impairment losses are not reversed through the consolidated income statement where there is subsequent increase in the fair value of the equity securities. In the case of loans and receivables, the provision for impairment is established only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2. Principal Accounting Policies (continued)

(j) Trade Debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade debtors with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2(i)*(iv)* for a description of the group's impairment policies.

(k) Trade and Other Creditors

Trade and other creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. Principal Accounting Policies (continued)

(m) Current and Deferred Income Tax

The tax expenses for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Principal Accounting Policies (continued)

(n) Financial Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The group has previously asserted that it regards issued financial guarantee contracts as insurance contracts. The group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing the carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

(o) Revenue Recognition

Revenue comprises the fair value for the sale of goods and services in the ordinary course of the group's activities, net of discounts and after eliminating sales within the group. Revenue is recognised as follows:

(i) Sales of properties

Revenue from pre-sale of properties under development is recognised when or as the control of the asset is transferred to the customer. It is recognised at a point in time when the customer obtains control and legal title of the completed property.

The revenue from sale of completed properties is recognised when the underlying property is legally transferred to the customer under the control transfer model.

The group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of properties would be adjusted when significant financing component exists in that contract.

Certain costs incurred for obtaining a pre-sale property contract are capitalised as contract acquisition cost and subsequently amortised when the related revenue is recognised.

(ii) Rental income

Rental income from letting the group's properties is recognised on a straight-line basis over the lease term.

(iii) Dividend income

Dividend income is recognised when the group's right to receive payment is established.

2. Principal Accounting Policies (continued)

(o) Revenue Recognition (continued)

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) *Property management fee*

Property management fee is recognised over time when the services are rendered.

(p) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the lease term.

(q) Employee Benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For the non-contributory defined contribution provident fund scheme, regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Contributions to the scheme by the group are calculated as a percentage of employees' basic salaries. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme in Hong Kong, the group's contributions are set at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance and are expensed as incurred.

2. Principal Accounting Policies (continued)

(r) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the company's functional and the group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. Principal Accounting Policies (continued)

(r) Foreign Currency Translation (continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(s) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(t) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is possible, it will then be recognised as a provision.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the directors of the company. The executive directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the steering committee that makes strategic decisions.

(v) Dividend Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

3. Financial Risk Management

(a) Financial risk factors

The group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow interest-rate risk and price risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

(i) Foreign exchange risk

The group operates in Hong Kong and the United States but is exposed to limited foreign exchange risk as most assets and liabilities are denominated in HK dollars and US dollars.

The group has not entered into any forward contracts to manage the exposure to foreign exchange risk. When considered appropriate, the group will take the necessary actions to ensure that such exposure is properly hedged primarily through borrowings denominated in the relevant foreign currencies.

(ii) Credit risk

The carrying amounts of mortgage loans receivable, debtors, other receivables and deposits, bank balances and cash and amount due from an associate represent the group's maximum exposure to credit risk in relation to financial assets. Credit risk is managed on a group basis.

The group has policies in place to ensure that sales and leases of properties and mortgage loans are made only to customers with appropriate credit histories. The group assesses the credit quality of the customers and the associate, taking into account its financial position, past experience and other factors. The group also has policies to require placement of rental deposits from tenants prior to commencement of leases.

The group places its deposits with reputable banks to mitigate the risk arising from banks.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding by keeping committed credit lines available.

The following table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Less than 1 year *HK$Million*	1–2 years *HK$Million*	Total *HK$Million*
At 31st March 2019			
Creditors and other payables	**242.6**	**–**	**242.6**
Borrowings	**301.5**	**–**	**301.5**
Total	**544.1**	**–**	**544.1**
At 31st March 2018			
Creditors and other payables	350.8	–	350.8
Borrowings	11.4	237.5	248.9
Total	362.2	237.5	599.7

(iv) Cash flow interest-rate risk

The group's interest-rate risk arises from borrowings, mortgage loans receivable and amount due from an associate. Borrowings issued at variable rates expose the group to cash flow interest-rate risk. The group has not entered into any interest-rate swap contracts as the exposure to interest-rate risk is not considered significant.

The profit before income tax of the group would decrease/increase by approximately HK$2.7 million (2018: HK$2.0 million) if the interest rate were to increase/decrease by 1% (2018: 1%).

(v) Price risk

The group is exposed to equity securities price risk for financial assets at fair value through profit or loss/available-for-sale financial assets held by the group. The group is not exposed to commodity price risk.

The carrying amount of the financial assets at fair value through profit or loss (2018: available-for-sale financial assets) and profit before income tax (2018: revaluation reserve before any further impairment) of the group would increase/decrease by approximately HK$4.2 million (2018: HK$5.0 million) if the fair value of the financial assets at fair value through profit or loss (2018: available-for-sale financial assets) were to increase/decrease by 10% (2018: 10%).

3. Financial Risk Management (continued)

(b) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the capital structure.

The directors of the company review the capital structure periodically and consider the cost of capital and the risks associated with capital. The directors of the company also balance its overall capital structure through the payment of dividends, new share issues as well as drawdown and repayment of borrowings.

The group's total capital is calculated as the sum of total equity and borrowings, as shown in the consolidated balance sheet. The company's strategy remained unchanged from the year ended 31st March 2018 and there was no significant change in the total capital during the year.

The group monitors capital by seeking to maintain a prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as bank borrowings to total equity.

The gearing ratios at 31st March 2019 and 2018 were as follows:

	2019	2018
	HK$Million	*HK$Million*
Total borrowings	**289.9**	229.8
Total equity	**7,086.6**	7,075.4
Gearing ratio	**4.1%**	3.2%

3. Financial Risk Management (continued)

(c) Fair value estimation

(i) Financial instruments

The disclosure of the fair value measurements of the financial instruments is based on the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets that are measured at fair value at 31st March 2019 and 2018.

	2019	2018
	Level 3	Level 3
	HK$Million	*HK$Million*
Assets		
Available-for-sale financial assets	**–**	49.9
Financial assets at fair value through profit or loss	**41.8**	–
	41.8	49.9

If one or more of the significant inputs is not based on observable market data, the assets are included in level 3.

Details on the fair value measurement for financial assets at fair value through profit or loss/available-for-sale financial assets are set out in note 17 to the consolidated financial statements.

(ii) Debtors and other receivables and creditors and other payables

The nominal values less impairment provisions of debtors and other receivables and creditors and other payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical Accounting Estimates and Assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of net realisable value of properties for sale and properties under development

Net realisable value of properties for sale and properties under development is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the recent transactions of selling properties of similar nature. They could change significantly as a result of changes in market condition. Management will reassess the estimations at each balance sheet date.

(b) Estimate of fair value of financial assets at fair value through profit or loss

The fair values of financial assets at fair value through profit or loss that are not traded in an active market are determined by using valuation techniques. The group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

5. Revenue and Segment Information

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

Revenue recognised during the year comprises:

	2019 HK$Million	2018 HK$Million
Gross proceeds from sales of properties	356.7	1,089.0
Gross rental income from properties	0.3	0.9
Property management fees	11.4	13.7
	368.4	1,103.6

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 2019

	Property development and leasing HK$Million	Property management HK$Million	Hotel operation HK$Million	Investment holding HK$Million	Total HK$Million
Revenue					
– recognised at a point in time	356.7	–	–	–	356.7
– recognised over time	–	11.4	–	–	11.4
Revenue from other sources					
– rental income	0.3	–	–	–	0.3
	357.0	11.4	–	–	368.4
Segment results and operating profit	10.4	2.7	–	63.7	76.8
Share of results of associates, net of tax	–	–	158.0	–	158.0
Profit before income tax					234.8
Income tax expense	(2.8)	(0.4)	–	–	(3.2)
Profit attributable to equity holders of the company					231.6

5. Revenue and Segment Information (continued)

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

For the year ended 31st March 2018

	Property development and leasing *HK$Million*	Property management *HK$Million*	Hotel operation *HK$Million*	Investment holding *HK$Million*	Total *HK$Million*
Revenue	1,089.9	13.7	–	–	1,103.6
Segment results	178.5	3.6	–	39.1	221.2
Gain on disposal of associates	20.4	–	–	–	20.4
Operating profit	198.9	3.6	–	39.1	241.6
Share of results of associates, net of tax	1.9	–	142.8	–	144.7
Profit before income tax					386.3
Income tax expense	(31.0)	(0.6)	–	–	(31.6)
Profit attributable to equity holders of the company					354.7

5. Revenue and Segment Information (continued)

(b) Total assets and liabilities

As at 31st March 2019

	Property development and leasing *HK$Million*	Property management *HK$Million*	Hotel operation *HK$Million*	Investment holding *HK$Million*	Total *HK$Million*
Segment assets	**3,602.3**	**66.1**	**–**	**3,796.7**	**7,465.1**
Associates	**–**	**–**	**161.8**	**–**	**161.8**
Total assets					**7,626.9**
Segment liabilities	**464.4**	**65.5**	**–**	**10.4**	**540.3**
Net assets					**7,086.6**

As at 31st March 2018

	Property development and leasing *HK$Million*	Property management *HK$Million*	Hotel operation *HK$Million*	Investment holding *HK$Million*	Total *HK$Million*
Segment assets	4,352.3	80.7	–	3,247.7	7,680.7
Associates	–	–	139.2	–	139.2
Total assets					7,819.9
Segment liabilities	654.0	80.5	–	10.0	744.5
Net assets					7,075.4

6. Other Income and Gains/(Losses), net

	2019 HK$Million	2018 HK$Million
Other income		
Interest income	78.3	30.8
Investment income from available-for-sale financial assets	–	16.0
	78.3	46.8
Other losses		
Fair value change on financial assets at fair value through profit or loss *(note 17)*	(6.2)	–
	72.1	46.8

7. Operating Profit

	2019 HK$Million	2018 HK$Million
Operating profit is stated after charging the following:		
Auditor's remuneration	1.7	1.6
Cost of property sales	287.6	832.1
Depreciation	0.9	1.1
Operating lease rentals in respect of land and buildings	12.3	12.3
Outgoings in respect of properties	0.1	–

8. Staff Costs

The amount of staff costs (excluding directors' benefits and interests as disclosed in note 9) charged to the consolidated income statement represents:

	2019 HK$Million	2018 HK$Million
Salaries and allowances	61.8	62.4
Provident fund contributions less forfeitures *(note (a))*	3.1	3.0
Less: Staff costs capitalised in properties under development	(12.1)	(12.7)
Less: Recharge of staff costs to building management funds *(note (b))*	(32.8)	(31.8)
	20.0	20.9

Notes:

(a) No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2018: Nil). At the balance sheet date, there were no forfeited contributions (2018: Nil) available to reduce the contributions payable in future years. Contributions payable as at 31st March 2019 were HK$0.2 million (2018: HK$0.2 million).

(b) Recharge of staff costs represents reimbursement for property management services rendered.

9. Directors' Benefits and Interests

The remunerations of the directors for the year ended 31st March 2019 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	HK$Million	*HK$Million*	*HK$Million*	*HK$Million*	*HK$Million*
David Pun Chan	**0.40**	**3.28**	**0.27**	**0.33**	**4.28**
William Wai Lim Lam	**0.20**	**1.65**	**0.14**	**0.16**	**2.15**
Wing Sau Li	**0.20**	**2.01**	**0.17**	**0.20**	**2.58**
Ivy Sau Ching Chan	**0.20**	**–**	**–**	**–**	**0.20**
Joseph Wing Siu Cheung	**0.20**	**–**	**–**	**–**	**0.20**
Karl Chi Leung Kwok	**0.20**	**–**	**–**	**–**	**0.20**
Man Sing Kwong	**0.20**	**–**	**–**	**–**	**0.20**
	1.60	**6.94**	**0.58**	**0.69**	**9.81**

The remunerations of the directors for the year ended 31st March 2018 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	HK$Million	*HK$Million*	*HK$Million*	*HK$Million*	*HK$Million*
David Pun Chan	0.40	3.12	0.26	0.31	4.09
William Wai Lim Lam	0.20	1.57	0.13	0.16	2.06
Wing Sau Li	0.20	1.92	0.16	0.19	2.47
Ivy Sau Ching Chan	0.20	–	–	–	0.20
Joseph Wing Siu Cheung	0.20	–	–	–	0.20
Karl Chi Leung Kwok	0.20	–	–	–	0.20
Man Sing Kwong	0.20	–	–	–	0.20
	1.60	6.61	0.55	0.66	9.42

(i) Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits during the financial year (2018: Nil).

(ii) Consideration provided to third parties for making available directors' services

The group did not pay consideration to any third parties for making available directors' services during the financial year (2018: Nil).

9. Directors' Benefits and Interests (continued)

(iii) Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities

There are no loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities (2018: None).

(iv) Directors' material interests in transactions, arrangements or contracts

During the year and at the year end, no director of the company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the company's business to which the company was or is a party (2018: None).

10. Emoluments of Five Highest Paid Individuals and Senior Management

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2018: three) of them are directors whose emoluments are disclosed in note 9. The emoluments of the remaining two (2018: two) non-directors, highest paid employees are disclosed as follows:

	2019	2018
	HK$Million	*HK$Million*
Salaries and other emoluments	**2.7**	2.4
Discretionary bonuses	**0.2**	0.8
Provident fund contributions	**0.2**	0.1
	3.1	3.3

The above emoluments are analysed as follows:

	Number of employees	
	2019	2018
HK$1,000,001 - HK$1,500,000	**1**	–
HK$1,500,001 - HK$2,000,000	**1**	2

10. Emoluments of Five Highest Paid Individuals and Senior Management (continued)

(b) Senior management
(biographical details of members of senior management are set out on page 4)

The emoluments of the senior management employees fell within the following bands:

	Number of employees 2019	2018
HK$1,000,001 - HK$1,500,000	**6**	6
HK$1,500,001 - HK$2,000,000	**1**	1

Note: The above emoluments include salaries and other emoluments, discretionary bonuses and provident fund contributions.

11. Finance Costs

	2019 *HK$Million*	2018 *HK$Million*
Finance costs comprise the followings:		
Interest on bank borrowings	**15.8**	10.1
Less: Amount capitalised in properties under development *(note)*	**(15.8)**	(10.1)
	–	–

Note: A capitalisation rate of 6.0% (2018: 5.0%) was used, representing the cost of the borrowings used to finance the properties under development.

12. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the group operates.

	2019 *HK$Million*	2018 *HK$Million*
Current income tax		
Hong Kong profits tax	**33.1**	115.2
Deferred income tax *(note 25)*	**(29.9)**	(83.6)
	3.2	31.6

12. Income Tax Expense (continued)

The taxation on the group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2019 HK$Million	2018 HK$Million
Profit before income tax	234.8	386.3
Less: Share of results of associates, net of tax	(158.0)	(144.7)
	76.8	241.6
Theoretical tax at a tax rate of 16.5% (2018: 16.5%)	12.7	39.9
Income not subject to tax	(12.9)	(11.0)
Expenses not deductible for tax purposes	2.6	2.0
Utilisation of previously unrecognised tax losses	(0.4)	(0.5)
Tax losses not recognised	1.4	1.3
Others	(0.2)	(0.1)
Income tax expense	3.2	31.6

13. Dividends

	2019 HK$Million	2018 HK$Million
Interim, paid, of HK 12 cents (2018: HK 12 cents) per ordinary share	74.1	74.1
Final, proposed, of HK 23 cents (2018: HK 23 cents) per ordinary share *(note)*	142.0	142.0
	216.1	216.1

Note: At a meeting held on 27th June 2019, the directors proposed a final dividend of HK 23 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2020.

14. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK$231.6 million (2018: HK$354.7 million) and ordinary shares in issue of 617,531,425 (2018: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2018: Nil).

15. Property, Plant and Equipment

	Land and building *HK$Million*	Vehicles, fixtures and equipment *HK$Million*	**Total** ***HK$Million***
Cost			
Balance at 1st April 2018	11.1	37.6	**48.7**
Additions	–	0.1	**0.1**
Disposals	–	(0.1)	**(0.1)**
Balance at 31st March 2019	11.1	37.6	**48.7**
Accumulated depreciation			
Balance at 1st April 2018	1.6	35.2	**36.8**
Charge for the year	0.2	0.7	**0.9**
Disposals	–	(0.1)	**(0.1)**
Balance at 31st March 2019	1.8	35.8	**37.6**
Net book value			
Balance at 31st March 2019	9.3	1.8	**11.1**

	Land and building *HK$Million*	Vehicles, fixtures and equipment *HK$Million*	**Total** ***HK$Million***
Cost			
Balance at 1st April 2017	11.1	36.6	**47.7**
Additions	–	1.2	**1.2**
Disposals	–	(0.2)	**(0.2)**
Balance at 31st March 2018	11.1	37.6	**48.7**
Accumulated depreciation			
Balance at 1st April 2017	1.4	34.5	**35.9**
Charge for the year	0.2	0.9	**1.1**
Disposals	–	(0.2)	**(0.2)**
Balance at 31st March 2018	1.6	35.2	**36.8**
Net book value			
Balance at 31st March 2018	9.5	2.4	**11.9**

16. Associates

	2019 HK$Million	2018 HK$Million
Share of net assets, unlisted investments	**137.2**	114.6

The amount due from an associate of HK$24.6 million (2018: HK$24.6 million) is unsecured, bears interest at 0.8% (2018: 0.8%) above the Hong Kong Interbank Offered Rate and is repayable on 31st July 2020 (2018: repayable on 31st July 2018). The carrying amount of the amount due from an associate approximate their fair values.

Set out below is the summarised financial information of an associate, Consolidated Hotels Limited, which is material to the group. The information below reflects the amounts presented in the financial statements of the associate (and not the group's share of those amounts). The associate is accounted for using the equity method.

	2019 HK$Million	2018 HK$Million
Revenue	**1,094.3**	1,023.3
Expenses	**(554.0)**	(534.7)
Profit before income tax	**540.3**	488.6
Income tax expense	**(88.6)**	(80.6)
Profit for the year	**451.7**	408.0
Other comprehensive (loss)/income	**(12.5)**	9.9
Total comprehensive income	**439.2**	417.9
Dividends received from the associate	**131.0**	131.0
Assets		
Non-current assets	**389.4**	428.3
Current assets	**404.3**	274.7
	793.7	703.0
Liabilities		
Non-current liabilities	**(112.5)**	(39.7)
Current liabilities	**(289.2)**	(335.9)
	(401.7)	(375.6)
Net assets	**392.0**	327.4
Interest in associate (35%)	**137.2**	114.6

16. Associates (continued)

The aggregate amount of the group's share of its associates which are not individually material are as follows:

	2019 **HK$Million**	2018 *HK$Million*
Profit and total comprehensive income from continuing operations	**–**	1.9
Net assets	**–**	–

Other particulars of the associates are shown in note 34 to the consolidated financial statements.

17. Financial Assets at Fair Value Through Profit or Loss/Available-for-sale Financial Assets

	2019 **HK$Million**	2018 *HK$Million*
At the beginning of the year	**49.9**	71.6
Additions	**0.2**	2.1
Distributions	**(2.1)**	–
Change in fair value recognised in equity *(note 27)*	**–**	(23.8)
Change in fair value recognised in consolidated income statement *(note 6)*	**(6.2)**	–
At the end of the year	**41.8**	49.9

The financial assets have been reclassified to financial assets at fair value through profit or loss upon adoption of HKFRS 9 Financial Instruments at 1st April 2018.

The group has determined that the reported net assets value represents their fair values at the balance sheet date. These valuations fall within level 3 of the fair value measurement hierarchy.

The group's financial assets at fair value through profit or loss/available-for-sale financial assets are unquoted and denominated in US dollars.

18. Mortgage Loans Receivable

Mortgage loans receivable represent the second mortgage loans granted to the purchasers of certain properties developed by the group and are secured by the properties.

The mortgage loans receivable are denominated in Hong Kong dollars and carry interest at 1% over the Hong Kong dollar prime rate with interest free periods of 18 months to 3 years from the respective dates when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be made by instalments over a period of 10 years to 23 years thereafter. Amounts due within 12 months are included within current assets.

Mortgage loans receivable is considered to have low credit risk and the loss allowance recognised (if any) was therefore limited to 12 months expected credit loss.

As at 31st March 2019, no loss allowance (2018: Nil) was made on the mortgage loans receivable of the group.

The carrying amounts of mortgage loans receivable approximate their fair values.

19. Properties for Sale

As at 31st March 2019, properties for sale amounting to HK$195.0 million (2018: Nil) were pledged as security for bank loan facilities granted to the group (note 28).

20. Properties under Development

As at 31st March 2019, properties under development amounting to HK$288.5 million (2018: HK$410.8 million) were pledged as security for bank loan facilities granted to the group (note 28).

21. Debtors and Other Receivables

	2019 ***HK$Million***	2018 *HK$Million*
Trade debtors, aged 0-3 months	**–**	639.5
Other receivables, deposits and prepayments	**14.6**	10.7
	14.6	650.2

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

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

As at 31st March 2018, trade debtors of HK$639.5 million were fully performing.

As at 31st March 2018, no trade debtor was impaired.

22. Bank Balances and Cash

The carrying amounts of bank balances and cash are denominated in the following currencies:

	2019	2018
	HK$Million	*HK$Million*
Hong Kong dollars	**3,808.8**	3,262.5
US dollars	**9.1**	12.6
	3,817.9	3,275.1

Pursuant to various management agreements with property management funds, the group has restricted bank balances of approximately HK$65.4 million as at 31st March 2019 (2018: HK$79.9 million) held in specific bank accounts on behalf of the management funds as a property manager.

Cash and cash equivalents are amounted to HK$3,752.5 million as at 31st March 2019 (2018: HK$3,195.2 million).

23. Creditors and Other Payables

	2019	2018
	HK$Million	*HK$Million*
Creditors, aged 0-3 months	**3.7**	15.4
Other payables, deposits and accruals	**238.9**	403.6
	242.6	419.0

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

24. Borrowings

	2019 **HK$Million**	2018 *HK$Million*
Non-current		
Bank loans		
– unsecured	**–**	7.8
– secured *(note 28)*	**–**	222.0
	–	229.8
Current		
Bank loans		
– unsecured	**14.1**	–
– secured *(note 28)*	**275.8**	–
	289.9	–
Total borrowings	**289.9**	229.8

As at 31st March 2019, the group's borrowings are repayable within 1 year (2018: repayable between 1 and 2 years).

The group's borrowings are all subject to interest-rate changes and contractual repricing within 6 months from year end date (2018: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK$289.9 million (2018: HK$229.8 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 6.25% (2018: 5.0%) per annum.

25. Deferred Income Tax

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2018: 16.5%).

The component of deferred income tax liabilities/(assets) recognised in the consolidated balance sheet and the movement during the year are as follows:

Deferred income tax liabilities	2019 Fair value gain of properties HK$Million	2018 Fair value gain of properties HK$Million
At the beginning of the year	**32.4**	116.0
Credited to consolidated income statement *(note 12)*	**(28.9)**	(83.6)
At the end of the year	**3.5**	32.4

Deferred income tax assets	2019 Tax losses HK$Million	2018 Tax losses HK$Million
At the beginning of the year	**(40.0)**	(40.0)
Credited to consolidated income statement *(note 12)*	**(1.0)**	–
At the end of the year	**(41.0)**	(40.0)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred income tax assets of HK$17.1 million (2018: HK$16.3 million) arising from unused tax losses of HK$91.3 million (2018: HK$85.2 million) have not been recognised in the consolidated financial statements. These unused tax losses are to be carried forward in offsetting against the future taxable income.

Included in such unused tax losses are amounts of HK$44.8 million (2018: HK$36.4 million) which have no expiry date. The remaining balance will expire at various dates up to and including 2036 (2018: 2036).

26. Share Capital

	2019 HK$Million	2018 HK$Million
Authorised:		
1,000,000,000 (2018: 1,000,000,000) ordinary shares of HK$0.1 each	**100.0**	100.0
Issued and fully paid:		
617,531,425 (2018: 617,531,425) ordinary shares of HK$0.1 each	**61.7**	61.7

27. Reserves

	Other reserve *HK$Million*	Revaluation reserve *HK$Million*	Exchange fluctuation reserve *HK$Million*	Retained profits *HK$Million*	Contributed surplus *HK$Million*	**Total** ***HK$Million***
At 1st April 2018, as previously stated	2.5	24.3	1.9	6,637.0	348.0	**7,013.7**
Adoption of HKFRS 9	–	(24.3)	–	24.3	–	**–**
At 1st April 2018, as restated	2.5	–	1.9	6,661.3	348.0	**7,013.7**
Profit for the year	–	–	–	231.6	–	**231.6**
Share of other comprehensive loss of an associate	(4.4)	–	–	–	–	**(4.4)**
Exchange differences	–	–	0.1	–	–	**0.1**
2018 final dividend paid	–	–	–	(142.0)	–	**(142.0)**
2019 interim dividend paid	–	–	–	(74.1)	–	**(74.1)**
At 31st March 2019	(1.9)	–	2.0	6,676.8	348.0	**7,024.9**
Representing:						
2019 final dividend proposed						**142.0**
Reserves at 31st March 2019						**6,882.9**
						7,024.9

27. Reserves (continued)

	Other reserve *HK$Million*	Revaluation reserve *HK$Million*	Exchange fluctuation reserve *HK$Million*	Retained profits *HK$Million*	Contributed surplus *HK$Million*	**Total** ***HK$Million***
At 1st April 2017	(1.0)	48.1	0.6	6,486.1	348.0	**6,881.8**
Profit for the year	–	–	–	354.7	–	**354.7**
Share of other comprehensive income of an associate	3.5	–	–	–	–	**3.5**
Change in fair value on available-for-sale financial assets	–	(23.8)	–	–	–	**(23.8)**
Exchange differences	–	–	1.3	–	–	**1.3**
2017 final dividend paid	–	–	–	(129.7)	–	**(129.7)**
2018 interim dividend paid	–	–	–	(74.1)	–	**(74.1)**
At 31st March 2018	2.5	24.3	1.9	6,637.0	348.0	**7,013.7**

Representing:	
2018 final dividend proposed	**142.0**
Reserves at 31st March 2018	**6,871.7**
	7,013.7

28. Pledge of Assets

Certain properties for sale and properties under development of the group with carrying values of HK$483.5 million (2018: HK$410.8 million) have been pledged to banks as security for facilities granted to the extent of HK$350.3 million (2018: HK$350.3 million) against which HK$275.8 million (2018: HK$222.0 million) has been utilised at the balance sheet date.

29. Commitments

	2019 ***HK$Million***	2018 *HK$Million*
Capital commitments in respect of available-for-sale financial assets	**–**	3.9
Capital commitments in respect of financial assets at fair value through profit or loss	**3.7**	–
Development expenses contracted but not provided for in respect of properties	**–**	29.7
	3.7	33.6

30. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	2019 HK$Million	2018 HK$Million
Not later than one year	5.7	12.3
Later than one year and not later than five years	0.3	6.0
	6.0	18.3

31. Note to Consolidated Statement of Cash Flows

(a) Reconciliation of profit before income tax to cash generated from operations:

	2019 HK$Million	2018 HK$Million
Profit before income tax	234.8	386.3
Share of results of associates, net of tax	(158.0)	(144.7)
Depreciation	0.9	1.1
Change in fair value of financial assets at fair value through profit or loss	6.2	–
Gain on disposal of associates	–	(20.4)
Interest income	(78.3)	(30.8)
Investment income from available-for-sale financial assets	–	(16.0)
Operating profit before working capital changes	5.6	175.5
Decrease in properties for sale	134.8	762.0
Increase in properties under development	(56.7)	(230.4)
Decrease/(increase) in debtors and other receivables	639.2	(96.3)
(Decrease)/increase in creditors and other payables	(123.6)	70.2
Cash generated from operations	599.3	681.0

(b) Reconciliation of financing liabilities

	2019 Borrowings HK$Million	2018 Borrowings HK$Million
At the beginning of the year	(229.8)	(189.1)
Cash flows	(60.1)	(38.9)
Foreign exchange adjustments	–	(1.8)
At the end of the year	(289.9)	(229.8)

32. Related Party Transactions

During the year, in addition to the balances with the associates as disclosed in note 16, the following transactions were carried out with related parties in the normal course of the group's business:

	2019 **HK$Million**	2018 HK$Million
Interest income received from an associate *(note 16)*	**0.7**	0.4
Key management personnel compensation		
– Salaries and other employee benefits	**9.8**	9.4

33. Balance Sheet and Reserve Movement of the Company

Balance Sheet of the Company

		2019 **HK$Million**	2018 HK$Million
Non-current assets			
Subsidiaries		**2,349.2**	2,349.2
Current assets			
Amount due from a subsidiary		**533.7**	529.2
Bank balances and cash		**6.2**	6.1
		539.9	535.3
Current liabilities			
Deposits and accruals		**8.5**	8.3
		8.5	8.3
Net current assets		**531.4**	527.0
Net assets		**2,880.6**	2,876.2
Equity			
Share capital		**61.7**	61.7
Reserves	*Note (a)*	**2,818.9**	2,814.5
Total equity		**2,880.6**	2,876.2

33. Balance Sheet and Reserve Movement of the Company (continued)

Note (a) Reserve Movement of the Company

	Retained profits *HK$Million*	Contributed surplus *HK$Million*	**Total** ***HK$Million***
At 1st April 2018	871.2	1,943.3	**2,814.5**
Profit for the year	220.5	–	**220.5**
2018 final dividend paid	(142.0)	–	**(142.0)**
2019 interim dividend paid	(74.1)	–	**(74.1)**
At 31st March 2019	875.6	1,943.3	**2,818.9**
Representing:			
2019 final dividend proposed			**142.0**
Reserves at 31st March 2019			**2,676.9**
			2,818.9

	Retained profits *HK$Million*	Contributed surplus *HK$Million*	**Total** ***HK$Million***
At 1st April 2017	864.6	1,943.3	**2,807.9**
Profit for the year	210.4	–	**210.4**
2017 final dividend paid	(129.7)	–	**(129.7)**
2018 interim dividend paid	(74.1)	–	**(74.1)**
At 31st March 2018	871.2	1,943.3	**2,814.5**
Representing:			
2018 final dividend proposed			**142.0**
Reserves at 31st March 2018			**2,672.5**
			2,814.5

The contributed surplus arose upon the group's restructuring in prior years, and is available for distribution. The distributable reserves of the company at 31st March 2019 amounted to HK$2,818.9 million (2018: HK$2,814.5 million).

34. Particulars of Subsidiaries and Associates

Subsidiaries	Principal activities	Issued ordinary share capital held by Group %	Issued ordinary share capital held by Company %	Number of shares issued
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	100
Tai Cheung Properties Limited	Investment holding and property development	100	–	386,633,750
Able Green Investment Limited	Property development	100	–	1
Acmax Enterprises Limited	Property development	100	–	2
Acura Enterprises Limited	Property development	100	–	2
Cosmopolitan Estates Limited	Property holding	100	–	1,000,000
Denmore Limited	Investment holding	100	–	2
Dumex Limited	Investment holding	100	–	30,000
Edward Properties LLC	Property management	100	–	–
French Valley Airport Center LLC	Property development	100	–	–
Jaco Limited	Property development	100	–	2
Junco (Nominees) Limited	Nominee company	100	–	2
Maidstone Construction Company Limited	Construction	100	–	60,000
Sum Lung Investment Company Limited	Property development	100	–	100,000
Tai Cheung Capital Limited	Investment holding	100	–	50,000
Tai Cheung Construction Company Limited	Property development	100	–	2,500
Tai Cheung Management Company Limited	Property management	100	–	45,000
Tai Cheung Secretaries Limited	Corporate secretary	100	–	2
Taico Properties, Inc.	Property development	100	–	1,000,000
Tareau International Company Limited	Investment holding	100	–	2
Victory Field Development Limited	Property development	100	–	2
Walsmith Corporation Limited	Investment holding	100	–	2
Wang Yip Construction Company Limited	Construction	100	–	50,000
Wealth Start Development Limited	Property development	100	–	2
Winfield Investments Limited	Property development	100	–	2
Woodmont Investments Limited	Property development	100	–	2
Yescott International Limited	Investment holding	100	–	2

34. Particulars of Subsidiaries and Associates (continued)

Associates	Principal activities	Principal place of business	Issued ordinary share capital held by Group	Issued ordinary share capital held by Company
			%	%
* ** Consolidated Hotels Limited	Hotel investment	Hong Kong	35	–
* ** Shepherd Investments Limited	Investment holding	Hong Kong	48	–

All subsidiaries and associates are incorporated in Hong Kong except Edward Properties LLC, French Valley Airport Center LLC and Taico Properties, Inc. which are incorporated in the United States; and Tai Cheung (B.V.I.) Company Limited which is incorporated in the British Virgin Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited which operates internationally.

* Associates with 31st December year ends.

** The financial statements of these associates for the year ended 31st December 2018 and 2017 have been audited by firms other than PricewaterhouseCoopers, Hong Kong. For the current year, the share of net assets and profit after income tax of these associates attributable to the group amounted to HK$137.2 million (2018: HK$114.6 million) and HK$158.0 million (2018: HK$142.8 million) respectively.

To the Shareholders of Tai Cheung Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Tai Cheung Holdings Limited (the "company") and its subsidiaries (the "group") set out on pages 31 to 80, which comprise:

- the consolidated balance sheet as at 31st March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31st March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is related to the assessment of net realisable value of properties under development and properties for sale in the United States.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and properties for sale in the United States Refer to Note 4(a) in the critical accounting estimates and assumptions and Note 19 and 20 to the consolidated financial statements	
The group had properties under development and properties for sale in California, U.S.A. of HK$288.5 million and HK$195.0 million respectively as at 31st March 2019. Management assesses the net realisable value based on the estimated selling prices less costs to sell under prevailing market condition and the estimated costs to complete for properties under development based on existing development plans. Provision is made when events or changes in circumstances indicate that the cost of properties exceeds the net realisable value. Management considered that no provision was required for the group's properties under development and properties for sale in the United States as at 31st March 2019. As the assessment of net realisable value of the properties under development and properties for sale requires the use of significant management judgement and estimates, including selling prices and costs to complete, we consider it to be a key audit matter.	For the properties under development, we discussed with management to understand the development plans of this property project, the latest status of development and the expected completion dates of the project. We checked to correspondence such as building plans submitted to the government authorities and permits obtained from the government authorities (where applicable) to corroborate our understanding. For properties for sale, we discussed with management to understand the sales plan of the properties. We assessed the reasonableness of management's estimated selling prices by comparing them to the selling prices of recent market transactions of comparable properties with similar size, usage and location and the prevailing selling prices of the subject properties. We also tested the reasonableness of cost to complete on a sample basis, by comparing to the budget of the project, signed construction contracts or market quotation on construction costs if contracts have not yet been signed. We further assessed the reasonableness of management's sensitivity analysis on the impact on the net realisable value of properties through reasonably possible deviations around the assumptions applied by management. We found that the judgements and key assumptions used in determining the net realisable value of properties under development and properties for sale are supportable based on the available evidence.

Other Information

The directors of the company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th June 2019

(I) Properties held for development or sale

Location	Stage of completion	Expected date of completion	Type	Group's ownership	Approximate floor area attributable to the group
Metropole Square 2 On Yiu St., Sha Tin, New Territories, Hong Kong	Completed	N/A	C	100%	6,789 s.f.
3 Plunkett's Road 3 Plunkett's Road, The Peak, Hong Kong	Completed	N/A	R	100%	19,238 s.f.
Pulsa 108 Repulse Bay Road, Hong Kong	Completed	N/A	R	100%	42,000 s.f.
French Valley Airport Center California, U.S.A.	Completed Superstructural work in progress	Phase I & II In phases from second half of 2020 onwards	I/C	100%	742,344 s.f.

(II) Hotel property

Location	Description	Group's ownership	Approximate floor area attributable to the group
Sheraton Hong Kong Hotel and Towers 20 Nathan Road, Tsimshatsui, Hong Kong	Hotel and shopping mall	35%	208,796 s.f.

Note: I = Industrial R = Residential C = Commercial

	2015 *HK$Million*	2016 *HK$Million*	2017 *HK$Million*	2018 *HK$Million*	**2019** ***HK$Million***
Consolidated Income Statement					
Revenue	454.4	588.6	742.5	1,103.6	**368.4**
Profit attributable to equity holders of the company	553.9	226.3	196.2	354.7	**231.6**
Dividends	185.2	185.2	197.6	216.1	**216.1**
Consolidated Balance Sheet					
Property, plant and equipment	11.3	11.4	11.8	11.9	**11.1**
Associates	100.0	113.1	118.9	114.6	**137.2**
Amount due from an associate	24.6	–	24.6	–	**24.6**
Available-for-sale financial assets	119.6	82.7	71.6	49.9	**–**
Deferred income tax assets	–	40.0	40.0	40.0	**41.0**
Mortgage loans receivable	0.6	0.4	0.4	0.2	**0.2**
Net current assets	6,891.5	7,003.6	6,792.2	7,121.0	**6,876.0**
Total assets less current liabilities	7,147.6	7,251.2	7,059.5	7,337.6	**7,090.1**
Borrowings	–	127.5	–	229.8	**–**
Deferred income tax liabilities	226.2	178.2	116.0	32.4	**3.5**
Net assets	6,921.4	6,945.5	6,943.5	7,075.4	**7,086.6**
Share capital	61.7	61.7	61.7	61.7	**61.7**
Reserves	6,742.4	6,766.5	6,752.1	6,871.7	**6,882.9**
Proposed final dividend	117.3	117.3	129.7	142.0	**142.0**
Total equity	6,921.4	6,945.5	6,943.5	7,075.4	**7,086.6**
Performance Statistics					
Earnings per share	$0.90	$0.37	$0.32	$0.57	**$0.38**
Dividends per share	$0.30	$0.30	$0.32	$0.35	**$0.35**
Dividend cover	3.0	1.2	1.0	1.6	**1.1**
Net assets per share	$11.21	$11.25	$11.24	$11.46	**$11.48**
Current ratio	33.6	45.3	17.5	15.8	**13.8**
Gearing	1.5%	1.8%	2.7%	3.2%	**4.1%**