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# Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2014

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2014.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2014

		(Unaudited) Six Months Ended	
	Note	30/9/2014 HK\$ Million	30/9/2013 HK\$ Million
Revenue	2	189.7	63.4
Cost of sales		(111.9)	(31.1)
Gross profit		77.8	32.3
Other income		13.1	10.0
Administrative expenses		(25.6)	(25.0)
Fair value gain upon reclassification of a property for sale to an investment property	6	–	964.3
Change in fair value of an investment property	6	231.3	–
Operating profit	3	296.6	981.6
Finance costs		(2.0)	(2.1)
Share of results of associates, net of tax		67.2	67.3
Profit before income tax		361.8	1,046.8
Income tax expense	4	(10.9)	(161.8)
<b>Profit attributable to equity holders of the Company</b>		<b>350.9</b>	<b>885.0</b>
Dividends			
Interim, proposed, of HK 11 cents (2013: HK 11 cents) per ordinary share		67.9	67.9
Earnings per share (Basic and Diluted)	5	56.8¢	143.3¢

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2014

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2014</b>	<b>30/9/2013</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
	<u>                    </u>	<u>                    </u>
Profit for the period	350.9	885.0
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available-for-sale financial assets	3.0	(2.7)
Exchange differences	<u>0.1</u>	<u>(0.1)</u>
Total comprehensive income for the period and attributable to equity holders of the Company	<u>354.0</u>	<u>882.2</u>

## CONSOLIDATED BALANCE SHEET

As at 30th September 2014

	Note	(Unaudited) 30/9/2014 HK\$ Million	(Audited) 31/3/2014 HK\$ Million
<b>Non-current assets</b>			
Property, plant and equipment		11.7	11.6
Investment property	6	2,091.0	1,779.0
Associates		100.4	93.2
Amount due from an associate		24.6	–
Available-for-sale financial assets		109.9	112.4
Mortgage loans receivable		0.6	0.6
		<u>2,338.2</u>	<u>1,996.8</u>
<b>Current assets</b>			
Properties for sale		715.7	810.6
Properties under development		1,891.4	1,886.9
Debtors, deposits and prepayments	7	147.1	26.4
Amounts due from associates		0.7	25.3
Current income tax recoverable		2.2	2.6
Bank balances and cash		2,037.9	2,133.0
		<u>4,795.0</u>	<u>4,884.8</u>
<b>Current liabilities</b>			
Creditors, deposits and accruals	8	87.0	78.2
Borrowings	9	104.1	107.1
Current income tax liabilities		9.1	–
		<u>200.2</u>	<u>185.3</u>
Net current assets		<u>4,594.8</u>	<u>4,699.5</u>
Total assets less current liabilities		6,933.0	6,696.3
<b>Non-current liabilities</b>			
Deferred income tax liabilities		159.1	159.1
Net assets		<u>6,773.9</u>	<u>6,537.2</u>
<b>Equity</b>			
Share capital		61.7	61.7
Retained profits		6,231.0	5,948.0
Other reserves		413.3	410.2
Proposed dividend		67.9	117.3
Total equity		<u>6,773.9</u>	<u>6,537.2</u>

**Notes:**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed financial statements should be read in conjunction with the 2014 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2014 except for the adoption of certain new or revised standards, improvements and amendments of Hong Kong Financial Reporting Standards (“HKFRSs”) issued and are mandatory for accounting periods beginning on or after 1st April 2014. The Group has assessed the impact of the adoption of these new or revised standards, improvements and amendments, and concluded that there has been no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

## 2. REVENUE AND SEGMENT INFORMATION

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

Segment information is presented on the same basis as that used by the Directors to assess the performance of each reporting segment.

### (a) Revenue and Profit attributable to equity holders of the Company

For the six months ended 30/9/2014

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Group HK\$ Million
Revenue	185.4	4.3	–	–	189.7
Segment results	52.3	1.7	–	11.3	65.3
Change in fair value of an investment property	231.3	–	–	–	231.3
Operating profit	283.6	1.7	–	11.3	296.6
Finance costs	(2.0)	–	–	–	(2.0)
Share of results of associates, net of tax	0.3	–	66.9	–	67.2
Profit before income tax					361.8
Income tax expense	(10.6)	(0.3)	–	–	(10.9)
Profit attributable to equity holders of the Company					350.9

**For the six months ended 30/9/2013**

	<b>Property development and leasing HK\$ Million</b>	<b>Property management HK\$ Million</b>	<b>Hotel operation HK\$ Million</b>	<b>Investment holding HK\$ Million</b>	<b>Group HK\$ Million</b>
Revenue	59.4	4.0	–	–	63.4
Segment results	9.3	1.1	–	6.9	17.3
Fair value gain upon reclassification of a property for sale to an investment property	964.3	–	–	–	964.3
Operating profit	973.6	1.1	–	6.9	981.6
Finance costs	(2.1)	–	–	–	(2.1)
Share of results of associates, net of tax	0.2	–	67.1	–	67.3
Profit before income tax					1,046.8
Income tax expense	(161.6)	(0.2)	–	–	(161.8)
Profit attributable to equity holders of the Company					885.0

**(b) Total Assets and Liabilities**

**As at 30/9/2014**

	<b>Property development and leasing HK\$ Million</b>	<b>Property management HK\$ Million</b>	<b>Hotel operation HK\$ Million</b>	<b>Investment holding HK\$ Million</b>	<b>Group HK\$ Million</b>
Segment assets	4,861.5	52.6	–	2,093.4	7,007.5
Associates	22.2	–	110.6	(7.1)	125.7
Total assets					7,133.2
Segment liabilities	303.0	49.4	–	6.9	359.3
Net assets					6,773.9

As at 31/3/2014

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

### 3. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six Months Ended	
	30/9/2014	30/9/2013
	HK\$ Million	HK\$ Million
Cost of property sales	95.8	22.7
Depreciation	0.3	0.3

### 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the countries in which the Group operates.

	Six Months Ended	
	30/9/2014	30/9/2013
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong profits tax	10.9	2.7
Deferred income tax	–	159.1
	<u>10.9</u>	<u>161.8</u>

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2014 of HK\$12.7 million (2013: HK\$13.3 million) is included in the consolidated profit and loss account as share of results of associates.

## 5. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$350.9 million (2013: HK\$885.0 million) and ordinary shares in issue of 617,531,425 (2013: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2013: Nil).

## 6. INVESTMENT PROPERTY

	<b>30/9/2014</b> <b>HK\$ Million</b>	<b>31/3/2014</b> <b>HK\$ Million</b>
At the beginning of the period	1,779.0	–
Transfer from properties for sale	–	734.7
Fair value gain upon reclassification from properties for sale	–	964.3
Additions	80.7	36.3
Fair value gain	231.3	43.7
	<u>2,091.0</u>	<u>1,779.0</u>
At the end of the period	<u>2,091.0</u>	<u>1,779.0</u>

The investment property was revalued at 30th September 2014 and 31st March 2014 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers.

There were no changes in valuation techniques during the period.

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30/9/2014</b> <b>HK\$ Million</b>	<b>31/3/2014</b> <b>HK\$ Million</b>
Trade debtors, aged 0–3 months	137.6	19.7
Deposits and prepayments	9.5	6.7
	<u>147.1</u>	<u>26.4</u>

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

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

As at 30th September 2014, trade debtors of HK\$137.1 million (31st March 2014: HK\$19.3 million) were fully performing.

As at 30th September 2014, no trade debtor was impaired (31st March 2014: Nil). Trade debtors of HK\$0.5 million (31st March 2014: HK\$0.4 million) were past due but not considered to be impaired; these were aged within 150 days (31st March 2014: 150 days) and relate to debtors with good repayment history and no recent history of default. The majority are covered by rental deposits received by the Group.



## 8. CREDITORS, DEPOSITS AND ACCRUALS

	<u>30/9/2014</u> HK\$ Million	<u>31/3/2014</u> HK\$ Million
Creditors, aged 0–3 months	14.4	13.3
Deposits and accruals	<u>72.6</u>	<u>64.9</u>
	<u>87.0</u>	<u>78.2</u>

Creditors and deposits are mainly denominated in Hong Kong dollars.

## 9. BORROWINGS

	<u>30/9/2014</u> HK\$ Million	<u>31/3/2014</u> HK\$ Million
Current		
Bank loans		
– unsecured	29.5	30.2
– secured	<u>74.6</u>	<u>76.9</u>
Total borrowings	<u>104.1</u>	<u>107.1</u>

The Group's borrowings are all subject to interest-rate changes and contractual repricing within 6 months from the balance sheet date (31st March 2014: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$104.1 million (31st March 2014: HK\$107.1 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.7% (31st March 2014: 3.7%) per annum.

## **INTERIM DIVIDEND**

The Directors declared an interim dividend of HK 11 cents per share, same as last year. The said interim dividend is payable on 8th January 2015.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 17th December 2014 to 19th December 2014, both days inclusive. Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16th December 2014 in order that they may receive their dividend entitlement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Interim Results**

The Group's unaudited profit attributable to equity holders of the Company for the six months ended 30th September 2014 amounted to HK\$350.9 million, as compared with the profit of HK\$885.0 million for the same period in 2013. The substantial decline in profit is mainly attributable to the decrease in the valuation gain on the Group's investment property for the six months ended 30th September 2014 as compared to that for the same period in 2013. However, the Group's underlying profit attributable to equity holders of the Company, which excludes the valuation gain on the Group's investment property and related deferred tax thereon, for the six months ended 30th September 2014 is substantially better than that for the same period in 2013.

The Group has equity accounted for its interest in Sheraton-Hong Kong Hotel, which has adopted the cost model for its hotel land and buildings which are stated at cost less accumulated depreciation, in accordance with the current accounting standards.

In order to fully reflect the underlying economic value of the Group's hotel properties, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on the basis that the Group were to state these hotel properties at their open market valuations as at 31st March 2014.

	<b>(Unaudited) 30/9/2014 HK\$ Million</b>	<b>(Unaudited) 31/3/2014 HK\$ Million</b>
Non-current assets, including interests in associates	2,338.2	1,996.8
Add: Attributable revaluation surplus relating to hotel properties*	3,230.1	3,226.3
	<u>5,568.3</u>	<u>5,223.1</u>
Current assets	4,795.0	4,884.8
Current liabilities	(200.2)	(185.3)
Net current assets	<u>4,594.8</u>	<u>4,699.5</u>
Total assets less current liabilities	10,163.1	9,922.6
Non-current liabilities	(159.1)	(159.1)
Net assets as if the hotel properties were stated at open market value	<u>10,004.0</u>	<u>9,763.5</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>HK\$16.20</u>	<u>HK\$15.81</u>

\* Based on open market valuations as at 31st March 2014.

## Property Development

Plans for the development of our Repulse Bay site have been submitted to various government departments for approval. Building plans have been approved. Site formation and foundation works are in progress. Superstructural works are expected to begin in the first half of 2015.

Metropole Square, an industrial building in Shatin with approximately 430,000 sq.ft., has been given a formal approval by government for a Special Waiver for Conversion from industrial to office and shop uses. No land premium is payable. Alteration works for upgrading the building have been completed. A letter of no objection to the completed works has been issued by the Buildings Department in October.

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

## **Hotel**

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which your Group has 35% interest, will continue to have satisfactory performance in the next few years. Sogo has leased the whole Shopping Mall. This is expected to generate higher steady income for the hotel. Sogo had a soft opening in early November. A site next to the hotel was sold recently at a price much higher than market expectations.

## **Prospects**

The property market has experienced government's anti-speculative measures and the Occupy Central Movement during the past twelve months. However, due to high demand and low interest rates, the property market has remained relatively stable.

Our cash position is still very strong. Most of the sale prices at recent government tenders have been at the low end of expectations. As the government has increased its land sales program, it is a good opportunity for the Group to increase its land bank over the next twelve months.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th September 2014, the Group's cash net of borrowings was HK\$1,933.8 million as compared with HK\$2,025.9 million at 31st March 2014. The Group's borrowings were payable within one year. 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 US operations, and therefore these loans are substantially hedged by assets in the same currency.

Committed bank borrowing facilities available to the Group at 30th September 2014 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 1.5% at 30th September 2014, compared to 1.6% at 31st March 2014.

Certain properties for sale and properties under development of the Group with carrying values of HK\$197.4 million (31st March 2014: HK\$237.7 million) have been pledged to banks as security for facilities granted to the extent of HK\$74.7 million (31st March 2014: HK\$116.9 million) against which HK\$74.6 million (31st March 2014: HK\$76.8 million) has been utilised at the balance sheet date.

## **HUMAN RESOURCES**

The Group, excluding associates, employs a total of 215 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$28.2 million for the period ended 30th September 2014. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company did not redeem any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of these unaudited interim financial statements.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the period, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange except in relation to the followings:

- (1) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate Chairman and Chief Executive Officer and Mr. David Pun Chan currently holds both positions. The Board considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies to grasp business opportunities efficiently and promptly. Such arrangement, which has been adopted by many local and international corporations, enables the Company to meet the rapidly changing business environment which needs quicker decision making to achieve business efficiency.

- (2) Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

- (3) Under the second part of code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Every Director of the Company, including those appointed for a specific term (save for any chairman or managing director under the Company's Private Act which was enacted in Bermuda in 1990), shall be subject to retirement by rotation at least once every three years. Pursuant to section 4(g) of the Private Act of the Company, any chairman or any managing director of the Company shall not be subject to retirement by rotation under the Bye-laws.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of 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 period.

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

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

Hong Kong, 27th November 2014

*As at the date hereof, the Board comprises Mr. David Pun Chan (Chairman), Mr. William Wai Lim Lam and Mr. Wing Sau Li as executive directors, Ms. Ivy Sau Ching Chan as non-executive director and Mr. Joseph Wing Siu Cheung, Mr. Karl Chi Leung Kwok and Mr. Man Sing Kwong as independent non-executive directors.*