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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 2015

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2015.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2015

		(Unaudited)	
		Six Months Ended	
	Note	30/9/2015	30/9/2014
		HK\$ Million	HK\$ Million
Revenue	2	540.3	189.7
Cost of sales		(467.0)	(111.9)
Gross profit		73.3	77.8
Other income		10.1	13.1
Administrative expenses		(29.0)	(25.6)
Change in fair value of an investment property		–	231.3
Operating profit	3	54.4	296.6
Finance costs		(2.0)	(2.0)
Share of results of associates, net of tax		67.0	67.2
Profit before income tax		119.4	361.8
Income tax credit/(expense)	4	31.2	(10.9)
<b>Profit attributable to equity holders of the Company</b>		<b>150.6</b>	<b>350.9</b>
Dividends			
Interim, proposed, of HK 11 cents (2014: HK 11 cents) per ordinary share		67.9	67.9
Earnings per share (Basic and Diluted)	5	24.4¢	56.8¢

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2015

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2015</b>	<b>30/9/2014</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Profit for the period	150.6	350.9
Other comprehensive income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available-for-sale financial assets	(9.6)	3.0
Exchange differences	(0.1)	0.1
Total comprehensive income for the period and attributable to equity holders of the Company	<u>140.9</u>	<u>354.0</u>

## CONSOLIDATED BALANCE SHEET

As at 30th September 2015

	Note	(Unaudited) 30/9/2015 HK\$ Million	(Audited) 31/3/2015 HK\$ Million
<b>Non-current assets</b>			
Property, plant and equipment		11.6	11.3
Associates		107.0	100.0
Amount due from an associate		–	24.6
Available-for-sale financial assets		102.6	119.6
Deferred income tax assets		40.0	–
Mortgage loans receivable		0.6	0.6
		<u>261.8</u>	<u>256.1</u>
<b>Current assets</b>			
Properties for sale		2,354.5	2,804.1
Properties under development		1,987.7	1,935.1
Debtors, deposits and prepayments	6	122.8	42.7
Amounts due from associates		25.3	0.7
Bank balances and cash		2,643.4	2,320.6
		<u>7,133.7</u>	<u>7,103.2</u>
<b>Current liabilities</b>			
Creditors, deposits and accruals	7	83.6	85.2
Borrowings	8	–	104.0
Current income tax liabilities		75.5	22.5
		<u>159.1</u>	<u>211.7</u>
Net current assets		<u>6,974.6</u>	<u>6,891.5</u>
Total assets less current liabilities		<u>7,236.4</u>	<u>7,147.6</u>
<b>Non-current liabilities</b>			
Borrowings	8	109.6	–
Deferred income tax liabilities		181.8	226.2
		<u>291.4</u>	<u>226.2</u>
Net assets		<u>6,945.0</u>	<u>6,921.4</u>
<b>Equity</b>			
Share capital		61.7	61.7
Retained profits		6,399.4	6,316.7
Other reserves		416.0	425.7
Proposed dividend		67.9	117.3
Total equity		<u>6,945.0</u>	<u>6,921.4</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 2015 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 2015 except for the adoption of certain 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 2015. The Group has assessed the impact of the adoption of these 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.

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 30/9/2015

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Group HK\$ Million
Revenue	535.1	5.2	-	-	540.3
Operating profit	42.9	2.1	-	9.4	54.4
Finance costs	(2.0)	-	-	-	(2.0)
Share of results of associates, net of tax	1.6	-	65.4	-	67.0
Profit before income tax					119.4
Income tax credit/(expense)	31.5	(0.3)	-	-	31.2
Profit attributable to equity holders of the Company					150.6

#### 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

(b) *Total Assets and Liabilities*

As at 30/9/2015

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Group HK\$ Million
Segment assets	4,520.1	56.8	–	2,686.3	7,263.2
Associates	25.4	–	114.3	(7.4)	132.3
Total assets					7,395.5
Segment liabilities	384.9	57.1	–	8.5	450.5
Net assets					6,945.0

As at 31/3/2015

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Group HK\$ Million
Segment assets	4,796.0	51.8	–	2,386.2	7,234.0
Associates	23.8	–	108.9	(7.4)	125.3
Total assets					7,359.3
Segment liabilities	375.9	52.9	–	9.1	437.9
Net assets					6,921.4

**3. OPERATING PROFIT**

Operating profit is stated after charging the following:

	Six Months Ended	
	30/9/2015	30/9/2014
	HK\$ Million	HK\$ Million
Cost of property sales	449.7	95.8
Depreciation	0.3	0.3

#### 4. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	<b>Six Months Ended</b>	
	<b>30/9/2015</b>	<b>30/9/2014</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Current income tax		
Hong Kong profits tax	53.2	10.9
Deferred income tax	(84.4)	–
	<u>(31.2)</u>	<u>10.9</u>

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2015 of HK\$13.0 million (2014: HK\$12.7 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\$150.6 million (2014: HK\$350.9 million) and ordinary shares in issue of 617,531,425 (2014: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2014: Nil).

#### 6. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30/9/2015</b>	<b>31/3/2015</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Trade debtors, aged 0–3 months	113.6	36.6
Deposits and prepayments	9.2	6.1
	<u>122.8</u>	<u>42.7</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 2015, trade debtors of HK\$113.6 million (31st March 2015: HK\$36.6 million) were fully performing.

As at 30th September 2015, no trade debtor was impaired (31st March 2015: Nil).

## 7. CREDITORS, DEPOSITS AND ACCRUALS

	<u>30/9/2015</u> HK\$ Million	<u>31/3/2015</u> HK\$ Million
Creditors, aged 0–3 months	4.6	6.3
Deposits and accruals	79.0	78.9
	<u>83.6</u>	<u>85.2</u>

Creditors and deposits are mainly denominated in Hong Kong dollars.

## 8. BORROWINGS

	<u>30/9/2015</u> HK\$ Million	<u>31/3/2015</u> HK\$ Million
Bank loans		
Current		
– unsecured	–	29.5
– secured	–	74.5
	–	104.0
Non-current		
– unsecured	28.7	–
– secured	80.9	–
	<u>109.6</u>	–
Total borrowings	<u>109.6</u>	<u>104.0</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 2015: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$109.6 million (31st March 2015: HK\$104.0 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.7% (31st March 2015: 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 7th January 2016.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 16th December 2015 to 18th December 2015, both days inclusive. Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's branch share registrar 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 15th December 2015 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 2015 amounted to HK\$150.6 million, as compared with the profit of HK\$350.9 million for the same period in 2014. The decline in profit is mainly attributable to no valuation gain for the six months ended 30th September 2015 as compared to the valuation gain on the Group's investment property for the same period in 2014.

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

In order to fully reflect the underlying economic value of the Group's hotel properties, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on the basis that the Group were to state these hotel properties at their open market valuations as at 31st March 2015.

	<b>(Unaudited) 30/9/2015 HK\$ Million</b>	<b>(Unaudited) 31/3/2015 HK\$ Million</b>
Non-current assets, including interests in associates	261.8	256.1
<i>Add: Attributable revaluation surplus relating to hotel properties*</i>	3,386.3	3,380.9
	<u>3,648.1</u>	<u>3,637.0</u>
Current assets	7,133.7	7,103.2
Current liabilities	<u>(159.1)</u>	<u>(211.7)</u>
Net current assets	<u>6,974.6</u>	<u>6,891.5</u>
Total assets less current liabilities	10,622.7	10,528.5
Non-current liabilities	<u>(291.4)</u>	<u>(226.2)</u>
Net assets as if the hotel properties were stated at open market value	<u><u>10,331.3</u></u>	<u><u>10,302.3</u></u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u><u>HK\$16.73</u></u>	<u><u>HK\$16.68</u></u>

\* Based on open market valuations as at 31st March 2015.

## 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 have been completed. Superstructural works will begin by the end of the year.

Metropole Square, an industrial building in Shatin with approximately 430,000 sq.ft., has been given a formal approval by government for a Special Waiver for Conversion from industrial to office and shop uses. No land premium is payable. Alteration and addition works for upgrading the building have been completed. A letter of confirmation certifying completion of works has been formally issued by the Lands Department in December 2014. Sales of this project so far has been satisfactory and the Group will continue to market this project.

As the US economy is improving, the first phase of our French Valley Airport Center project in California has begun in the fourth quarter of 2015.

## **Hotel**

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which the Group has 35% interest, will continue to have satisfactory performance in the next few years. Sogo has leased the whole Shopping Mall. This is expected to generate higher steady income for the hotel. Sogo had a grand opening in December 2014. A site next to the hotel was sold in 2014 at a price much higher than market expectations. The current slowdown in tourist arrivals has affected the hotel only slightly.

## **Prospects**

Due to high demand and low interest rates, the property market has been relatively stable. However, with the expected rise in U.S. interest rates and economic slowdown in Hong Kong, the mass residential and retail sectors of the property market will be most affected. The high class residential and office sectors, which your Group concentrates on, would be the least affected.

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th September 2015, the Group's cash net of borrowings was HK\$2,533.8 million as compared with HK\$2,216.6 million at 31st March 2015. 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 2015 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 1.6% at 30th September 2015, compared to 1.5% at 31st March 2015.

Certain properties for sale and properties under development of the Group with carrying values of HK\$209.7 million (31st March 2015: HK\$200.3 million) have been pledged to banks as security for facilities granted to the extent of HK\$221.9 million (31st March 2015: HK\$74.6 million) against which HK\$80.9 million (31st March 2015: HK\$74.5 million) has been utilised at the balance sheet date.

## **HUMAN RESOURCES**

The Group, excluding associates, employs a total of 208 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$30.2 million for the period ended 30th September 2015. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

## **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 an annual general meeting of the Company in accordance with the Company's Bye-laws.

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

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

## **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, 26th November 2015

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