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Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2021

FINANCIAL RESULTS

I am pleased to report that the group's revenue for the year ended 31st March 2021 (the "Year") increased by 72% to HK\$73.8 million (2020: HK\$43.0 million), primarily due to improved property sales. The audited group loss attributable to equity holders of the company for the Year amounted to HK\$28.2 million as compared to the profit of HK\$124.7 million for last year. The group has a turnaround from profit to loss for the Year mainly attributable to the following reasons:

- (1) the operating loss of HK\$28.6 million for the Year primarily due to the fall in interest income as both the group's bank balances and Hong Kong interest rates dropped during the Year; and
- (2) the substantial decline by 92% in the share of results of Consolidated Hotels Limited, which is an associate material to the group, as a result of the adverse impact on hospitality industry since the outbreak of the COVID-19 pandemic.

Despite the aforesaid, the group's consolidated financial statements as at 31st March 2021 indicate that the group has a strong cash position with very low gearing level. The board considers that the overall financial position of the group remains sound and solid.

DIVIDEND

An interim dividend of HK12 cents per share was paid on 5th January 2021. The board has recommended the payment of a final dividend of HK12 cents per share to the shareholders on the register of members of the company on 7th September 2021. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 16th September 2021 and the total dividend for the Year will be HK24 cents per share, same as last year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2021

	Note	2021 HK\$ Million	2020 HK\$ Million
Revenue	2	73.8	43.0
Cost of sales		<u>(70.5)</u>	<u>(43.6)</u>
Gross profit/(loss)		3.3	(0.6)
Other income and gains, net		30.6	85.0
Administrative expenses		<u>(62.5)</u>	<u>(63.3)</u>
Operating (loss)/profit	3	(28.6)	21.1
Finance costs		(9.9)	(15.6)
Share of results of associates, net of tax		<u>9.5</u>	<u>119.7</u>
(Loss)/profit before income tax		(29.0)	125.2
Income tax credit/(expense)	4	<u>0.8</u>	<u>(0.5)</u>
(Loss)/profit attributable to equity holders of the company		<u>(28.2)</u>	<u>124.7</u>
(Loss)/earnings per share (basic and diluted), HK dollars	5	<u>(\$0.05)</u>	<u>\$0.20</u>
Dividends, HK\$ Million	6	<u>148.2</u>	<u>148.2</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2021

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
(Loss)/profit for the year	(28.2)	124.7
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of an associate	2.0	4.4
<i>Item that has been reclassified or may be reclassified subsequently to profit or loss:</i>		
Exchange differences	1.0	(3.3)
	<u>3.0</u>	<u>1.1</u>
Total comprehensive (loss)/income for the year and attributable to equity holders of the company	<u>(25.2)</u>	<u>125.8</u>

CONSOLIDATED BALANCE SHEET

As at 31st March 2021

	Note	2021 HK\$ Million	2020 HK\$ Million
Non-current assets			
Property, plant and equipment		2.0	2.2
Right-of-use assets		67.6	77.0
Associates		147.4	149.5
Amount due from an associate		24.6	–
Deferred income tax assets		41.0	41.0
Mortgage loans receivable		0.1	0.2
		<u>282.7</u>	<u>269.9</u>
Current assets			
Properties for sale		3,172.6	3,220.3
Properties under development		1,631.2	289.2
Debtors and other receivables	7	9.8	20.0
Financial assets at fair value through profit or loss		24.2	27.4
Amount due from an associate		–	24.6
Current income tax assets		0.3	5.9
Bank balances and cash		2,047.6	3,611.4
		<u>6,885.7</u>	<u>7,198.8</u>
Current liabilities			
Creditors and other payables	8	138.1	180.2
Lease liabilities		12.9	11.2
Borrowings		141.9	–
Current income tax liabilities		0.1	0.1
		<u>293.0</u>	<u>191.5</u>
Net current assets		<u>6,592.7</u>	<u>7,007.3</u>
Total assets less current liabilities		<u>6,875.4</u>	<u>7,277.2</u>
Non-current liabilities			
Lease liabilities		48.3	57.8
Other liabilities		0.7	0.7
Borrowings		–	218.9
Deferred income tax liabilities		3.5	3.5
		<u>52.5</u>	<u>280.9</u>
Net assets		<u>6,822.9</u>	<u>6,996.3</u>
Equity			
Share capital		61.7	61.7
Reserves		6,687.1	6,860.5
Proposed final dividend		74.1	74.1
Total equity		<u>6,822.9</u>	<u>6,996.3</u>

Notes:

1. Basis of preparation and accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

(b) Amendments to existing standards effective in 2020/21 and adopted by the group

During the year, the group adopted the following amendments to existing standards which are effective in 2020/21:

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the amendments to existing standards does not have any significant effect on the results and financial position of the group.

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 (loss)/profit attributable to equity holders of the company

For the year ended 31st March 2021

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Revenue					
– recognised at a point in time	59.0	–	–	–	59.0
– recognised over time	–	11.2	–	–	11.2
Revenue from other sources					
– rental income	3.6	–	–	–	3.6
	<u>62.6</u>	<u>11.2</u>	<u>–</u>	<u>–</u>	<u>73.8</u>
Segment results and operating loss	<u>(48.9)</u>	<u>0.7</u>	<u>–</u>	<u>19.6</u>	<u>(28.6)</u>
Finance costs	(9.9)	–	–	–	(9.9)
Share of results of associates, net of tax	–	–	9.5	–	<u>9.5</u>
Loss before income tax					(29.0)
Income tax credit/(expense)	0.9	(0.1)	–	–	<u>0.8</u>
Loss attributable to equity holders of the company					<u>(28.2)</u>

2. Revenue and segment information (Continued)

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

For the year ended 31st March 2020

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Revenue					
– recognised at a point in time	30.6	–	–	–	30.6
– recognised over time	–	11.1	–	–	11.1
Revenue from other sources					
– rental income	1.3	–	–	–	1.3
	<u>31.9</u>	<u>11.1</u>	<u>–</u>	<u>–</u>	<u>43.0</u>
Segment results and operating profit	<u>(56.2)</u>	<u>1.1</u>	<u>–</u>	<u>76.2</u>	21.1
Finance costs	(15.6)	–	–	–	(15.6)
Share of results of associates, net of tax	–	–	119.7	–	<u>119.7</u>
Profit before income tax					125.2
Income tax expense	(0.3)	(0.2)	–	–	<u>(0.5)</u>
Profit attributable to equity holders of the company					<u>124.7</u>

The analysis of revenue by geographical area is as follow:

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
Hong Kong	11.0	10.9
United States	<u>62.8</u>	<u>32.1</u>
	<u>73.8</u>	<u>43.0</u>

Revenue of approximately HK\$38.0 million (2020: HK\$30.6 million) are derived from four (2020: four) major customers each contributing 10% or more of the total revenue.

2. Revenue and segment information (Continued)

(b) Total assets and liabilities

As at 31st March 2021

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment assets	4,926.2	69.3	–	2,000.9	6,996.4
Associates	–	–	172.0	–	172.0
Total assets					7,168.4
Segment liabilities	265.3	69.0	–	11.2	345.5
Net assets					<u>6,822.9</u>

As at 31st March 2020

	Property development and leasing <i>HK\$ Million</i>	Property management <i>HK\$ Million</i>	Hotel operation <i>HK\$ Million</i>	Investment holding <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment assets	3,647.2	69.9	–	3,577.5	7,294.6
Associates	–	–	174.1	–	174.1
Total assets					7,468.7
Segment liabilities	392.2	69.3	–	10.9	472.4
Net assets					<u>6,996.3</u>

Non-current assets, other than deferred income tax assets are all located in Hong Kong.

3. Operating (loss)/profit

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
Operating (loss)/profit is stated after charging the following:		
Cost of property sales	48.2	29.2
Depreciation – property, plant and equipment	1.0	1.0
Depreciation – right-of-use assets	13.0	7.4
	<u>62.2</u>	<u>37.6</u>

4. Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year.

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
Current income tax		
Hong Kong profits tax		
Provision for current year	0.4	0.5
Over-provision in prior years	(1.2)	–
	<u>(0.8)</u>	<u>0.5</u>

5. (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss attributable to equity holders of the company of HK\$28.2 million (2020: profit attributable to equity holders of the company of HK\$124.7 million) and ordinary shares in issue of 617,531,425 (2020: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2020: Nil).

6. Dividends

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
Interim, paid, of HK12 cents (2020: HK12 cents) per ordinary share	74.1	74.1
Final, proposed, of HK12 cents (2020: HK12 cents) per ordinary share	74.1	74.1
	<u>148.2</u>	<u>148.2</u>

7. Debtors and other receivables

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
Other receivables, deposits and prepayments	<u>9.8</u>	<u>20.0</u>

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.

8. Creditors and other payables

	2021 <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
Creditors, aged 0-3 months	2.1	0.9
Other payables, deposits and accruals	136.0	179.3
	<u>138.1</u>	<u>180.2</u>

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

BUSINESS REVIEW

Property Development

Our Ap Lei Chau site will be developed into a luxurious residential building. Consent for the foundation works was issued by the Buildings Department. The works were commenced in June this year as scheduled.

Preparation works for sales launch of our Repulse Bay project, named “Pulsa”, are making good progress. Marketing promotion activities have been proceeding smoothly. 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.

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. Sales of Phase I and II of the project have been launched, achieving satisfactory results. We plan to proceed with next phase in the third quarter this year.

Hotel

Sheraton-Hong Kong Hotel, in which the group has 35% interest, continued to uphold its reputation among the elegant 5-star hotels in Hong Kong. Lockdowns and health concerns curbed visitor numbers in the midst of the pandemic outbreak. During the Year, the Hotel occupancy plunged to record low, with some improvement by offering staycation packages and quarantine packages. Having a low debt level and strong balance sheet, the Hotel is able to endure the hardest hit to performance. Rental of the whole hotel shopping mall, which is being leased by Sogo, continued to secure solid income for the Hotel.

The near-term outlook for the hotel industry is challenging as inbound tourism remains in the doldrums. International travel is still largely on hold for the foreseeable future. The post-COVID recovery will depend on a range of factors including the lifting of travel restrictions, development and adoption of vaccine passports and other facilitating measures, as well as consumer sentiment. While hoteliers continue to reshape their sales and marketing strategies around the domestic markets, it is expected that the industry will undergo structural change after the pandemic.

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 2021.

	2021 (Unaudited) <i>HK\$ Million</i>	2020 (Unaudited) <i>HK\$ Million</i>
Non-current assets, including interest in associates	282.7	269.9
Add: Attributable revaluation surplus relating to hotel properties ⁽¹⁾	<u>3,211.3</u>	<u>3,097.5</u>
	----- 3,494.0	----- 3,367.4
Current assets	6,885.7	7,198.8
Current liabilities	<u>(293.0)</u>	<u>(191.5)</u>
Net current assets	<u>6,592.7</u>	<u>7,007.3</u>
Total assets less current liabilities	10,086.7	10,374.7
Non-current liabilities	<u>(52.5)</u>	<u>(280.9)</u>
Net assets as if the hotel properties were stated at open market value	<u>10,034.2</u>	<u>10,093.8</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>\$16.25</u>	<u>\$16.35</u>

⁽¹⁾ Based on open market valuations as at 31st March 2021 and 2020 respectively, carried out by Cushman & Wakefield Limited, an independent firm of professional valuers.

LIQUIDITY AND FINANCIAL RESOURCES

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associates.

At 31st March 2021, the group's cash net of borrowings was HK\$1,905.7 million as compared with HK\$3,392.5 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$409.1 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 2.1% at 31st March 2021 as compared with 3.1% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2021 amounted to HK\$36.1 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group are adequate to meet the anticipated working capital requirement in the coming year.

EMPLOYEES

The group, excluding associates, employs a total of 168 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$59.6 million was paid for the year ended 31st March 2021. 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.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group has capital commitments in respect of financial assets at fair value through profit or loss as at 31st March 2021 of HK\$3.6 million. The group does not have any contingent liabilities as at 31st March 2021.

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

Hong Kong's economy has been showing signs of strong rebound amid the global economic recovery, supported by economic growth in Mainland China and western economies' gradual emergence from lockdown. However, the local economic recovery was uneven and the latest performance has not yet returned to the pre-COVID level.

Vaccination is the current focus of the global anti-epidemic work. By adopting the concept of "vaccine bubble" as the new direction in fighting the epidemic, the Hong Kong Government aimed to restore the normal operations of the society in a gradual and orderly manner. With the boost from various government counter-cyclical measures and gradual relaxation of social distancing measures, business and consumer confidence can hopefully see a broader based improvement later this year should the local epidemic remain contained.

Quantitative easing across the world's major economies will ensure global liquidity remains higher for longer. Hong Kong's peg to the U.S. Dollar will mean interest rates stay low for another two to three years, continuing to benefit the local property market.

Despite the unfavorable economic atmosphere during the pandemic, Hong Kong residential market continued to perform steadily, due to abundant liquidity and low real interest rates. Demand from homebuyers remained resilient, especially in the luxury sector which continues to draw interest from high net-worth buyers. Furthermore, a winning bid for peak plot sold by government tender lately set a record high, reflecting market confidence in the outlook for super luxury housing.

While the prolonged pandemic, absence of cross-border visitors and geopolitical risks will all continue to create strong headwinds, ongoing vaccine rollouts pave the way for border reopening and instill greater confidence in the outlook. The group will monitor closely the impact of these events and its exposure to the risks and uncertainties in connection therewith. By adhering to its prudent approach, the group will continue to adopt flexible strategies to cope with market volatility. Having a strong balance sheet and ample cash on hand, the group is able to remain resilience in the face of uncertain economic environment ahead.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the group's consolidated financial statements for the year ended 31st March 2021, including the accounting principles and practices adopted by the group, in conjunction with the company's internal auditor.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the group's consolidated balance sheet, consolidated statement of comprehensive income and consolidated income statement, and the related notes thereto for the year ended 31st March 2021 as set out in the preliminary announcement have been agreed by the group's auditor, PricewaterhouseCoopers, to the amounts set out in the group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year, the company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except in relation to the followings:

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

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

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

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

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

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

Detailed information of the company's compliance of the CG Code will be set out in the Corporate Governance Report contained in the 2021 Annual Report.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting will be held on 26th August 2021. The Notice of Annual General Meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed during the following periods:

- (1) from Monday, 23rd August 2021 to Thursday, 26th August 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2021 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20th August 2021.
- (2) from Friday, 3rd September 2021 to Tuesday, 7th September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 2nd September 2021.

By Order of the Board
David Pun Chan
Chairman

Hong Kong, 29th June 2021

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.