



Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)
(Stock Code: 88)

2015-2016 INTERIM REPORT

大昌集團有限公司

(於百慕達註冊成立之有限公司)
(股份代號：88)

2015-2016 年度中期報告



Corporate Information

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 Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hang Seng Bank 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

Depository

The Bank of New York Mellon
American Depositary Receipts
101 Barclay Street,
22nd Floor,
New York, NY 10286,
U.S.A.



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 HK\$Million	30/9/2014 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)
Profit attributable to equity holders of the Company		150.6	350.9
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

	(Unaudited)	
	Six Months Ended	
	30/9/2015	30/9/2014
	<i>HK\$Million</i>	<i>HK\$Million</i>
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	140.9	354.0

**Consolidated Balance Sheet**

As at 30th September 2015

		(Unaudited) 30/9/2015 <i>HK\$Million</i>	(Audited) 31/3/2015 <i>HK\$Million</i>
Non-current assets			
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
		261.8	256.1
Current assets			
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
		7,133.7	7,103.2
Current liabilities			
Creditors, deposits and accruals	7	83.6	85.2
Borrowings	8	–	104.0
Current income tax liabilities		75.5	22.5
		159.1	211.7
Net current assets		6,974.6	6,891.5
Total assets less current liabilities		7,236.4	7,147.6
Non-current liabilities			
Borrowings	8	109.6	–
Deferred income tax liabilities		181.8	226.2
		291.4	226.2
Net assets		6,945.0	6,921.4
Equity			
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		6,945.0	6,921.4

**Consolidated Statement of Changes in Equity**

For the six months ended 30th September 2015

	(Unaudited)	
	Six Months Ended	
	30/9/2015	30/9/2014
	HK\$Million	HK\$Million
Total equity at 1st April	6,921.4	6,537.2
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	140.9	354.0
Transaction with equity holders:		
Dividends	(117.3)	(117.3)
Total equity at 30th September	6,945.0	6,773.9

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30th September 2015

	(Unaudited)	
	Six Months Ended	
	30/9/2015	30/9/2014
	HK\$Million	HK\$Million
Cash flows from operating activities		
Cash generated from operations	362.4	21.3
Interest paid	(2.0)	(2.0)
Hong Kong profits tax paid	(0.3)	(1.4)
Net cash from operating activities	360.1	17.9
Cash flows from investing activities		
Purchase of property, plant and equipment	(0.6)	(0.4)
Interest received	7.6	14.3
Dividends received from associates	60.0	60.0
Additions to investment property	-	(72.1)
Additions to available-for-sale financial assets	(3.9)	(2.4)
Distributions from available-for-sale financial assets	11.3	7.9
Net cash from investing activities	74.4	7.3
Cash flows from financing activities		
Drawdowns of borrowings	6.5	-
Repayments of borrowings	(0.9)	(3.0)
Dividends paid	(117.3)	(117.3)
Net cash used in financing activities	(111.7)	(120.3)
Net increase/(decrease) in bank balances and cash	322.8	(95.1)
Bank balances and cash at 1st April	2,320.6	2,133.0
Bank balances and cash at 30th September	2,643.4	2,037.9

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 <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Group <i>HK\$Million</i>
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

2. REVENUE AND SEGMENT INFORMATION (continued)

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

For the six months ended 30/9/2014

	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>	Group <i>HK\$Million</i>
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

2. REVENUE AND SEGMENT INFORMATION (continued)

(b) Total Assets and Liabilities As at 30/9/2015

	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>	Group <i>HK\$Million</i>
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 <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Group <i>HK\$Million</i>
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

	Six Months Ended	
	30/9/2015 <i>HK\$Million</i>	30/9/2014 <i>HK\$Million</i>
Operating profit is stated after charging the following:		
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.

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

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

	30/9/2015 <i>HK\$Million</i>	31/3/2015 <i>HK\$Million</i>
Trade debtors, aged 0–3 months	113.6	36.6
Deposits and prepayments	9.2	6.1
	122.8	42.7

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

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

Creditors and deposits are mainly denominated in Hong Kong dollars.

8. BORROWINGS

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

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.

9. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(i) Financial instruments

The disclosure of 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 30th September 2015 and 31st March 2015.

	30/9/2015 Level 3 <i>HK\$Million</i>	<i>31/3/2015</i> Level 3 <i>HK\$Million</i>
Assets		
Available-for-sale financial assets	102.6	119.6

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

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.

There were no changes in valuation techniques during the period.

	30/9/2015 <i>HK\$Million</i>	<i>30/9/2014</i> <i>HK\$Million</i>
At the beginning of the period	119.6	112.4
Additions	3.9	2.4
Distributions	(11.3)	(7.9)
Fair value (losses)/gains recognised in other comprehensive income	(9.6)	3.0
At the end of the period	102.6	109.9

(ii) Debtors and creditors

The nominal values less impairment provisions of debtors and creditors 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.



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.

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

* 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.

Directors' Interests

At 30th September 2015, 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:

Name	Number of Shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
David Pun Chan	118,668,971	-	*61,335,074	-	180,004,045
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

*Note: Such shares were held through a corporation which is 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

During the period under review, the Company did not grant to the Directors or Chief Executive any right to subscribe for shares of the Company.

Substantial Shareholders

At 30th September 2015, 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

*Note: 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 are 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 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 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