

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

# Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2016.

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2016

		(Unaudited)	
		Six Months Ended	
	Note	30/9/2016	30/9/2015
		HK\$ Million	HK\$ Million
Revenue	2	76.4	540.3
Cost of sales		(70.1)	(467.0)
Gross profit		6.3	73.3
Other income		11.7	10.1
Administrative expenses		(27.1)	(29.0)
Operating (loss)/profit	3	(9.1)	54.4
Finance costs		–	(2.0)
Share of results of associates, net of tax		62.9	67.0
Profit before income tax		53.8	119.4
Income tax (expense)/credit	4	(0.6)	31.2
<b>Profit attributable to equity holders of the Company</b>		<b>53.2</b>	<b>150.6</b>
Dividends			
Interim, proposed, of HK 11 cents (2015: HK 11 cents) per ordinary share		67.9	67.9
Earnings per share (Basic and Diluted)	5	8.6¢	24.4¢

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2016

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2016</b>	<b>30/9/2015</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
	<u>                    </u>	<u>                    </u>
Profit for the period	53.2	150.6
Other comprehensive income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Change in fair value on available-for-sale financial assets	(8.9)	(9.6)
Exchange differences	<u>          –</u>	<u>          (0.1)</u>
Total comprehensive income for the period and attributable to equity holders of the Company	<u>          44.3</u>	<u>          140.9</u>

## CONSOLIDATED BALANCE SHEET

As at 30th September 2016

	Note	(Unaudited) 30/9/2016 HK\$ Million	(Audited) 31/3/2016 HK\$ Million
<b>Non-current assets</b>			
Property, plant and equipment		11.9	11.4
Associates		115.8	113.1
Amount due from an associate		24.6	–
Available-for-sale financial assets		73.8	82.7
Deferred income tax assets		40.0	40.0
Mortgage loans receivable		0.4	0.4
		<u>266.5</u>	<u>247.6</u>
<b>Current assets</b>			
Properties for sale		2,264.7	2,323.6
Properties under development		2,139.6	2,042.4
Debtors and other receivables	6	38.3	15.6
Amounts due from associates		0.7	25.3
Bank balances and cash		2,685.5	2,754.9
		<u>7,128.8</u>	<u>7,161.8</u>
<b>Current liabilities</b>			
Creditors, deposits and accruals	7	129.2	105.5
Borrowings	8	162.5	–
Current income tax liabilities		58.8	52.7
		<u>350.5</u>	<u>158.2</u>
Net current assets		<u>6,778.3</u>	<u>7,003.6</u>
Total assets less current liabilities		<u>7,044.8</u>	<u>7,251.2</u>
<b>Non-current liabilities</b>			
Borrowings	8	–	127.5
Deferred income tax liabilities		172.3	178.2
		<u>172.3</u>	<u>305.7</u>
Net assets		<u>6,872.5</u>	<u>6,945.5</u>
<b>Equity</b>			
Share capital		61.7	61.7
Retained profits		6,343.1	6,357.8
Other reserves		399.8	408.7
Proposed dividend		67.9	117.3
Total equity		<u>6,872.5</u>	<u>6,945.5</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 2016 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 2016 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 2016. 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 30/9/2016

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Revenue	71.1	5.3	–	–	76.4
Segment results and operating (loss)/profit	(19.3)	2.3	–	7.9	(9.1)
Share of results of associates, net of tax	0.5	–	62.4	–	62.9
Profit before income tax					53.8
Income tax expense	(0.2)	(0.4)	–	–	(0.6)
Profit attributable to equity holders of the Company					53.2

#### 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	Total HK\$ Million
Revenue	535.1	5.2	–	–	540.3
Segment results and 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

(b) *Total Assets and Liabilities*

As at 30/9/2016

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	4,495.7	64.5	–	2,694.0	7,254.2
Associates	27.5	–	121.4	(7.8)	141.1
Total assets					7,395.3
Segment liabilities	437.5	64.5	–	20.8	522.8
Net assets					6,872.5

As at 31/3/2016

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	4,433.0	61.7	–	2,776.3	7,271.0
Associates	27.0	–	119.2	(7.8)	138.4
Total assets					7,409.4
Segment liabilities	393.0	61.5	–	9.4	463.9
Net assets					6,945.5

**3. OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is stated after charging the following:

	Six Months Ended	
	30/9/2016	30/9/2015
	HK\$ Million	HK\$ Million
Cost of property sales	58.9	449.7
Depreciation	0.4	0.3

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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>30/9/2016</b>	<b>30/9/2015</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Current income tax		
Hong Kong profits tax	6.5	53.2
Deferred income tax	(5.9)	(84.4)
	<u>0.6</u>	<u>(31.2)</u>

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2016 of HK\$12.4 million (2015: HK\$13.0 million) is included in the consolidated income statement 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\$53.2 million (2015: HK\$150.6 million) and ordinary shares in issue of 617,531,425 (2015: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2015: Nil).

#### 6. DEBTORS AND OTHER RECEIVABLES

	<b>30/9/2016</b>	<b>31/3/2016</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Trade debtors, aged 0–3 months	27.7	5.6
Other receivables, deposits and prepayments	10.6	10.0
	<u>38.3</u>	<u>15.6</u>

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 30th September 2016, trade debtors of HK\$27.7 million (31st March 2016: HK\$5.6 million) were fully performing.

As at 30th September 2016, no trade debtor was impaired (31st March 2016: Nil).

## 7. CREDITORS, DEPOSITS AND ACCRUALS

	<u>30/9/2016</u> HK\$ Million	<u>31/3/2016</u> HK\$ Million
Creditors, aged 0–3 months	26.3	6.4
Deposits and accruals	102.9	99.1
	<u>129.2</u>	<u>105.5</u>

Creditors and deposits are mainly denominated in Hong Kong dollars.

## 8. BORROWINGS

	<u>30/9/2016</u> HK\$ Million	<u>31/3/2016</u> HK\$ Million
Non-current		
Bank loans		
– unsecured	–	28.7
– secured	–	98.8
	–	<u>127.5</u>
Current		
Bank loans		
– unsecured	28.7	–
– secured	133.8	–
	<u>162.5</u>	<u>–</u>
Total borrowings	<u>162.5</u>	<u>127.5</u>

The Group's borrowings are repayable within one year as at 30th September 2016 (31st March 2016: repayable between 1 and 2 years).

The Group's borrowings are all subject to interest-rate changes and contractual repricing within 6 months from the balance sheet date (31st March 2016: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$162.5 million (31st March 2016: HK\$127.5 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 4.0% (31st March 2016: 3.9%) 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 5th January 2017.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 19th December 2016 to 21st December 2016, 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 16th December 2016 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 2016 (the "Period") amounted to HK\$53.2 million, as compared with the profit of HK\$150.6 million for the same period in 2015. The substantial decline in profit is mainly attributable to significant decrease in property sales during the Period. Despite the aforesaid, the Group's unaudited consolidated financial statements for the Period indicate that the Group has a strong cash position. The Board considers that the overall financial position of the Group remains sound and solid.

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 2016.

	(Unaudited) 30/9/2016 HK\$ Million	(Unaudited) 31/3/2016 HK\$ Million
Non-current assets, including interests in associates	266.5	247.6
Add: Attributable revaluation surplus relating to hotel properties*	3,234.5	3,227.8
	<u>3,501.0</u>	<u>3,475.4</u>
Current assets	7,128.8	7,161.8
Current liabilities	(350.5)	(158.2)
Net current assets	<u>6,778.3</u>	<u>7,003.6</u>
Total assets less current liabilities	10,279.3	10,479.0
Non-current liabilities	(172.3)	(305.7)
Net assets as if the hotel properties were stated at open market value	<u>10,107.0</u>	<u>10,173.3</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>HK\$16.37</u>	<u>HK\$16.47</u>

\* Based on open market valuations as at 31st March 2016.

## Property Development

Superstructure work of our Repulse Bay site is currently underway. Building plans have been approved by various government authorities. The site commands spectacular sea views over the Repulse Bay against a backdrop of mountain greenery. This project has been earmarked for a super luxurious residential development in the vicinity and is scheduled for completion in the second half of 2017.

Metropole Square, our development in Sha Tin, had been converted from industrial use into office and shop uses with the Government's Special Waiver for Conversion. Alteration and addition works for upgrading the building was completed in late 2014. Upgrading of the building can achieve higher return and enhance occupancy. Conveniently located adjacent to Shek Mun MTR station with views towards Shing Mun River, Metropole Square attracts buyers and tenants looking for premium office space in the district. In view of the recent improving market sentiment, the Group will continue to strengthen its promotion campaign to boost sales.

It is expected that infrastructure construction of French Valley Airport Center, an industrial and commercial project in California, will be completed by the end of 2016.

## **Hotel**

Sheraton-Hong Kong Hotel, in which the Group has 35% interest, enjoys a reputation as one of the most well-respected 5-star hotel in Hong Kong. It managed to achieve satisfactory performance during the Period amid the challenges including slowdown in tourist arrivals and a relatively strong local currency. The whole hotel shopping mall, which has been leased by Sogo since 2014, continued to generate high steady rental income for the hotel.

## **Prospects**

There are signs indicating further economic slowdown globally. However, it is expected that the pace of future interest rate hikes in the U.S. would be gradual. The local property market has shown improvement recently with an increase in overall transaction volume and a rebound in prices.

The high class residential market in Hong Kong is well supported by limited new supply, particularly in prime locations and traditional luxury districts. We are confident that our Repulse Bay project will achieve high return for our shareholders.

The Group has a strong balance sheet with ample cash on hand. As the government has increased its land sales program, we will continue to pursue opportunities to replenish our land bank with development potential.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th September 2016, the Group's cash net of borrowings was HK\$2,523.0 million as compared with HK\$2,627.4 million at 31st March 2016. 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 2016 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 2.4% at 30th September 2016, compared to 1.8% at 31st March 2016.

Certain properties under development of the Group with carrying values of HK\$277.4 million (31st March 2016: HK\$240.0 million) have been pledged to banks as security for facilities granted to the extent of HK\$222.0 million (31st March 2016: HK\$220.0 million) against which HK\$133.8 million (31st March 2016: HK\$98.8 million) has been utilised at the balance sheet date.

## **EMPLOYEES**

The Group, excluding associates, employs a total of 209 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$30.5 million for the Period. 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.

## **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, risk management and financial reporting matters including the review of these unaudited interim consolidated 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, 30th November 2016

*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.*