

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 2020

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2020.

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2020

		(Unaudited)	
		Six Months Ended	
	Note	30/9/2020	30/9/2019
		HK\$ Million	HK\$ Million
Revenue	2	16.8	23.9
Cost of sales		(16.6)	(21.6)
Gross profit		0.2	2.3
Other income and gains, net		23.2	40.4
Administrative expenses		(30.1)	(32.7)
Operating (loss)/profit	3	(6.7)	10.0
Finance costs		(5.4)	(3.6)
Share of results of associates, net of tax		2.0	64.6
(Loss)/profit before income tax		(10.1)	71.0
Income tax expense	4	(0.5)	(0.6)
<b>(Loss)/profit attributable to equity holders of the Company</b>		<b>(10.6)</b>	<b>70.4</b>
(Loss)/earnings per share (basic and diluted), HK dollars	5	(1.7¢)	11.4¢
Dividends, HK\$ Million			
Interim, proposed, of HK 12 cents (2019: HK 12 cents) per ordinary share		74.1	74.1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2020

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2020</b>	<b>30/9/2019</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
	<u>                    </u>	<u>                    </u>
(Loss)/profit for the period	(10.6)	70.4
Other comprehensive income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences	—	(0.3)
	<u>                    </u>	<u>                    </u>
Total comprehensive (loss)/income for the period and attributable to equity holders of the Company	<u>          (10.6)          </u>	<u>          70.1          </u>

## CONSOLIDATED BALANCE SHEET

As at 30th September 2020

	Note	(Unaudited) 30/9/2020 HK\$ Million	(Audited) 31/3/2020 HK\$ Million
<b>Non-current assets</b>			
Property, plant and equipment		2.2	2.2
Right-of-use assets		74.1	77.0
Associates		151.5	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>293.5</u>	<u>269.9</u>
<b>Current assets</b>			
Properties for sale		3,212.3	3,220.3
Properties under development		1,623.2	289.2
Debtors and other receivables	6	13.4	20.0
Financial assets at fair value through profit or loss		28.0	27.4
Amount due from an associate		–	24.6
Current income tax assets		5.7	5.9
Bank balances and cash		2,157.4	3,611.4
		<u>7,040.0</u>	<u>7,198.8</u>
<b>Current liabilities</b>			
Creditors and other payables	7	153.0	180.2
Lease liabilities		12.4	11.2
Borrowings	8	197.3	–
Current income tax liabilities		0.1	0.1
		<u>362.8</u>	<u>191.5</u>
<b>Net current assets</b>		<u>6,677.2</u>	<u>7,007.3</u>
<b>Total assets less current liabilities</b>		<u>6,970.7</u>	<u>7,277.2</u>
<b>Non-current liabilities</b>			
Lease liabilities		54.9	57.8
Other liabilities		0.7	0.7
Borrowings	8	–	218.9
Deferred income tax liabilities		3.5	3.5
		<u>59.1</u>	<u>280.9</u>
<b>Net assets</b>		<u>6,911.6</u>	<u>6,996.3</u>
<b>Equity</b>			
Share capital		61.7	61.7
Retained profits		6,426.6	6,511.3
Other reserves		349.2	349.2
Proposed dividend		74.1	74.1
<b>Total equity</b>		<u>6,911.6</u>	<u>6,996.3</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 2020 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2020 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 2020. 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.

Revenue recognised during the period comprises:

	Six Months Ended	
	30/9/2020 HK\$ Million	30/9/2019 HK\$ Million
Gross proceeds from sales of properties	9.8	17.6
Gross rental income from properties	1.4	0.4
Property management fees	5.6	5.9
	<u>16.8</u>	<u>23.9</u>

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 six months ended 30/9/2020**

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Revenue					
– recognised at a point in time	9.8	–	–	–	9.8
– recognised over time	–	5.6	–	–	5.6
Revenue from other sources					
– rental income	1.4	–	–	–	1.4
	<u>11.2</u>	<u>5.6</u>	<u>–</u>	<u>–</u>	<u>16.8</u>
Segment results and operating (loss)/profit	<u>(27.7)</u>	<u>1.5</u>	<u>–</u>	<u>19.5</u>	<u>(6.7)</u>
Finance costs	(5.4)	–	–	–	(5.4)
Share of results of associates, net of tax	–	–	2.0	–	2.0
Loss before income tax					(10.1)
Income tax expense	(0.3)	(0.2)	–	–	(0.5)
Loss attributable to equity holders of the company					<u>(10.6)</u>

## 2. REVENUE AND SEGMENT INFORMATION (continued)

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

For the six months ended 30/9/2019

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Revenue					
– recognised at a point in time	17.6	–	–	–	17.6
– recognised over time	–	5.9	–	–	5.9
Revenue from other sources					
– rental income	0.4	–	–	–	0.4
	<u>18.0</u>	<u>5.9</u>	<u>–</u>	<u>–</u>	<u>23.9</u>
Segment results and operating profit/(loss)	<u>(28.4)</u>	<u>1.5</u>	<u>–</u>	<u>36.9</u>	10.0
Finance costs	(3.6)	–	–	–	(3.6)
Share of results of associates, net of tax	–	–	64.6	–	64.6
Profit before income tax					71.0
Income tax expense	(0.4)	(0.2)	–	–	(0.6)
Profit attributable to equity holders of the company					<u>70.4</u>

The analysis of revenue by geographical area is as follows:

	Six Months Ended	
	30/9/2020 HK\$ Million	30/9/2019 HK\$ Million
Hong Kong	5.5	5.8
United States	11.3	18.1
	<u>16.8</u>	<u>23.9</u>

Revenue of approximately HK\$9.8 million (2019: HK\$17.6 million) are derived from one (2019: two) major customer each contributing 10% or more of the total revenue.

## 2. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Total assets and liabilities

As at 30/9/2020

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	4,973.8	65.6	–	2,118.0	7,157.4
Associates	–	–	176.1	–	176.1
Total assets					7,333.5
Segment liabilities	347.5	64.8	–	9.6	421.9
Net assets					<u>6,911.6</u>

As at 31/3/2020

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
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 and part of the right-of-use assets are all located in Hong Kong.

### 3. OPERATING (LOSS)/PROFIT

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

	<b>Six Months Ended</b>	
	<b>30/9/2020</b>	<b>30/9/2019</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Cost of property sales	8.0	15.7
Depreciation – property, plant and equipment	0.5	0.5
Depreciation – right-of-use assets	6.4	1.0
Expenses relating to short term leases	0.4	5.2

### 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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>30/9/2020</b>	<b>30/9/2019</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Current income tax		
Hong Kong profits tax	0.5	0.6

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2020 of HK\$0.3 million (2019: HK\$12.6 million) is included in the consolidated income statement as share of results of associates.

### 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\$10.6 million (2019: profit attributable to equity holders of the Company of HK\$70.4 million) and ordinary shares in issue of 617,531,425 (2019: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2019: Nil).

### 6. DEBTORS AND OTHER RECEIVABLES

	<b>30/9/2020</b>	<b>31/3/2020</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Other receivables, deposits and prepayments	13.4	20.0

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

## 7. CREDITORS AND OTHER PAYABLES

	<u>30/9/2020</u> HK\$ Million	<u>31/3/2020</u> HK\$ Million
Creditors, aged 0–3 months	3.6	0.9
Other payables, deposits and accruals	149.4	179.3
	<u>153.0</u>	<u>180.2</u>

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

## 8. BORROWINGS

	<u>30/9/2020</u> HK\$ Million	<u>31/3/2020</u> HK\$ Million
Non-current		
Bank loans		
– unsecured	–	2.3
– secured	–	216.6
	–	218.9
Current		
Bank loans		
– secured	197.3	–
	197.3	–
Total borrowings	<u>197.3</u>	<u>218.9</u>

As at 30th September 2020, the Group's borrowings are repayable within 1 year (31st March 2020: 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 2020: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$197.3 million (31st March 2020: HK\$218.9 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.46% (31st March 2020: 4.22%) per annum.

## **INTERIM DIVIDEND**

The Directors declared an interim dividend of HK12 cents per share, same as last year. The said interim dividend is payable on 5th January 2021.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 14th December 2020 to 16th December 2020, 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 11th December 2020 in order that they may receive their dividend entitlement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Interim Results**

The Group's unaudited net loss attributable to equity holders of the Company for the six months ended 30th September 2020 (the "Period") amounted to HK\$10.6 million as compared to the net profit of HK\$70.4 million for the corresponding period in 2019.

The COVID-19 pandemic has significant negative impact on the economies and the Group's results. In view of the pandemic, the Group has a turnaround from profit to loss in the Period mainly attributable to the following reasons:

- (i) the decline by about 30% in the revenue of the Group due to significant decrease in property sales as a result of weak market sentiment; and
- (ii) the substantial decline by over 95% 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 unaudited consolidated financial statements as at 30th September 2020 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.

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 2020.

	<b>(Unaudited)</b> <b>30/9/2020</b> <b>HK\$ Million</b>	<b>(Unaudited)</b> <b>31/3/2020</b> <b>HK\$ Million</b>
Non-current assets, including interests in associates	293.5	269.9
Add: Attributable revaluation surplus relating to hotel properties*	<u>3,103.7</u>	<u>3,097.5</u>
	<u>3,397.2</u>	<u>3,367.4</u>
Current assets	7,040.0	7,198.8
Current liabilities	<u>(362.8)</u>	<u>(191.5)</u>
Net current assets	<u>6,677.2</u>	<u>7,007.3</u>
Total assets less current liabilities	10,074.4	10,374.7
Non-current liabilities	<u>(59.1)</u>	<u>(280.9)</u>
Net assets as if the hotel properties were stated at open market value	<u><u>10,015.3</u></u>	<u><u>10,093.8</u></u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u><u>\$16.22</u></u>	<u><u>\$16.35</u></u>

\* Based on open market valuations as at 31st March 2020.

## Property Development

Plans for the development of our Ap Lei Chau site were submitted to the Buildings Department for approval. This site will be developed into a luxurious residential building. Ground investigation work was completed. Site formation and excavation works are scheduled to commence in the second quarter of 2021.

Preparation works for sales launch of our Repulse Bay project, named “Pulsa”, are making steady 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, receiving favourable response from the market. We plan to proceed with next phase in 2021.

## **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. During the Period, the Hotel witnessed an unprecedented decline in occupancy as a result of travel curbs and flight cancellations in the midst of the pandemic outbreak. Yet, with low debt level and a strong balance sheet, the Hotel is able to endure the hardest hit to performance.

Hong Kong’s tourist sector has hailed the recent travel bubble arrangement with Singapore as an important step in reviving the local economy battered by the pandemic, with hopes for similar arrangements with other destinations. The hotel industry is proactively responding to the new normal of travellers through new business ideas and effective preventive measures. It is expected that the industry will undergo structural change after the pandemic.

## **Prospects**

Recently, promising progress has been announced in the race for development of COVID-19 vaccines across the world. These results have lifted confidence in the economic comeback in 2021. An end to the economic turmoil from the COVID-19 depends on the delicate distribution of effective vaccines, which comes with numerous challenges. Mounting infection rates particularly in the US and Europe, will probably create some near-term choppiness. Furthermore, the global and geopolitical implications of the 2020 US presidential election result remain yet to be seen.

In addition to working hard to control the epidemic and reduce its impact on the economy, the Hong Kong Government has launched supportive packages and forward-looking initiatives to help local businesses tide over difficulties. In mainland China, it is expected that the Central Government will continue to provide fiscal stimulus and accommodate monetary policy to support economic recovery and growth.

The US Federal Reserve's balance sheet inched up to a record high, with all signs pointing to further growth in its quantitative easing program. The market expects that the Federal Reserve will maintain its low federal fund rate to boost the US economy. Hence, the low interest rate environment in Hong Kong will be further extended.

Recent weakness in the local luxury residential market is likely to continue for the time being as quarantine measures and travel restrictions effectively halt property viewings and many potential buyers are staying in mainland China. However, it is worth remembering that there is much liquidity in the market and interest rates are still historically low. Luxury home buyers may drop their wait-and-see attitudes after the impact of the pandemic starts to recede.

Against the backdrop of the pandemic and geopolitical tensions, Hong Kong's fundamentals remain solid and largely intact. 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 resilient in the face of uncertain economic environment ahead.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th September 2020, the Group's cash net of borrowings was HK\$1,960.1 million as compared with HK\$3,392.5 million at 31st March 2020. The Group's borrowings were payable within 1 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 2020 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 2.9% at 30th September 2020, compared to 3.1% at 31st March 2020.

Certain properties for sale and properties under development of the Group with carrying values of HK\$446.5 million (31st March 2020: HK\$454.5 million) have been pledged to banks as security for facilities granted to the extent of HK\$236.4 million (31st March 2020: HK\$236.4 million) against which HK\$197.3 million (31st March 2020: HK\$216.6 million) has been utilised at the balance sheet date.

## **EMPLOYEES**

The Group, excluding associates, employs a total of 171 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$29.8 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, 26th November 2020

*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.*