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# Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2021

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2021.

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2021

		(Unaudited) Six Months Ended	
	Note	30/9/2021 HK\$ Million	30/9/2020 HK\$ Million
Revenue	2	90.1	16.8
Cost of sales		(81.6)	(16.6)
Gross profit		8.5	0.2
Other income and gains, net	3	58.6	23.2
Administrative expenses		(29.6)	(30.1)
Operating profit/(loss)	4	37.5	(6.7)
Finance costs		(2.1)	(5.4)
Share of results of associates, net of tax		4.0	2.0
Profit/(loss) before income tax		39.4	(10.1)
Income tax expense	5	(0.1)	(0.5)
<b>Profit/(loss) attributable to equity holders of the Company</b>		<b>39.3</b>	<b>(10.6)</b>
Earnings/(loss) per share (basic and diluted), HK dollars	6	6.4¢	(1.7¢)
Dividends, HK\$ Million			
Interim, proposed, of HK 12 cents (2020: HK 12 cents) per ordinary share		74.1	74.1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2021

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2021</b>	<b>30/9/2020</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Profit/(loss) for the period	39.3	(10.6)
Other comprehensive income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences	0.4	–
Total comprehensive income/(loss) for the period and attributable to equity holders of the Company	<u>39.7</u>	<u>(10.6)</u>

**CONSOLIDATED BALANCE SHEET***As at 30th September 2021*

		<b>(Unaudited)</b> <b>30/9/2021</b> <b>HK\$ Million</b>	<b>(Audited)</b> <b>31/3/2021</b> <b>HK\$ Million</b>
Non-current assets			
Property, plant and equipment		1.8	2.0
Right-of-use assets		60.9	67.6
Associates		151.3	147.4
Amount due from an associate		–	24.6
Deferred income tax assets		41.0	41.0
Mortgage loans receivable		0.1	0.1
		<u>255.1</u>	<u>282.7</u>
Current assets			
Properties for sale		3,105.3	3,172.6
Properties under development		1,699.5	1,631.2
Debtors and other receivables	7	14.7	9.8
Financial assets at fair value through profit or loss		77.9	24.2
Amount due from an associate		24.6	–
Current income tax assets		–	0.3
Bank balances and cash		1,914.4	2,047.6
		<u>6,836.4</u>	<u>6,885.7</u>
Current liabilities			
Creditors and other payables	8	160.6	138.1
Lease liabilities		13.1	12.9
Borrowings	9	62.3	141.9
Current income tax liabilities		0.1	0.1
		<u>236.1</u>	<u>293.0</u>
Net current assets		<u>6,600.3</u>	<u>6,592.7</u>
Total assets less current liabilities		<u>6,855.4</u>	<u>6,875.4</u>
Non-current liabilities			
Lease liabilities		41.7	48.3
Other liabilities		0.7	0.7
Borrowings	9	21.0	–
Deferred income tax liabilities		3.5	3.5
		<u>66.9</u>	<u>52.5</u>
Net assets		<u>6,788.5</u>	<u>6,822.9</u>
Equity			
Share capital		61.7	61.7
Retained profits		6,300.1	6,334.9
Other reserves		352.6	352.2
Proposed dividend		74.1	74.1
Total equity		<u>6,788.5</u>	<u>6,822.9</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 2021 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 2021 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 2021. 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:

	<b>Six Months Ended</b>	
	<b>30/9/2021</b>	<b>30/9/2020</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Gross proceeds from sales of properties	83.3	9.8
Gross rental income from properties	2.1	1.4
Property management fees	4.7	5.6
	<u>90.1</u>	<u>16.8</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 profit/(loss) attributable to equity holders of the company*

**For the six months ended 30/9/2021**

	<b>Property development and leasing HK\$ Million</b>	<b>Property management HK\$ Million</b>	<b>Hotel operation HK\$ Million</b>	<b>Investment holding HK\$ Million</b>	<b>Total HK\$ Million</b>
Revenue					
– recognised at a point in time	83.3	–	–	–	83.3
– recognised over time	–	4.7	–	–	4.7
Revenue from other sources					
– rental income	2.1	–	–	–	2.1
	<u>85.4</u>	<u>4.7</u>	<u>–</u>	<u>–</u>	<u>90.1</u>
Segment results and operating profit/(loss)	<u>(17.2)</u>	<u>0.1</u>	<u>–</u>	<u>54.6</u>	37.5
Finance costs	(2.1)	–	–	–	(2.1)
Share of results of associates, net of tax	–	–	4.0	–	4.0
Profit before income tax					39.4
Income tax expense	(0.1)	–	–	–	(0.1)
Profit attributable to equity holders of the company					<u>39.3</u>

## 2. REVENUE AND SEGMENT INFORMATION (continued)

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

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>

The analysis of revenue by geographical area is as follows:

	Six Months Ended	
	30/9/2021 HK\$ Million	30/9/2020 HK\$ Million
Hong Kong	4.6	5.5
United States	85.5	11.3
	<u>90.1</u>	<u>16.8</u>

Revenue of approximately HK\$60.0 million (2020: HK\$9.8 million) are derived from four (2020: one) major customers each contributing 10% or more of the total revenue.

## 2. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Total assets and liabilities

As at 30/9/2021

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	4,926.3	76.9	–	1,912.4	6,915.6
Associates	–	–	175.9	–	175.9
Total assets					7,091.5
Segment liabilities	217.4	76.3	–	9.3	303.0
Net assets					<u>6,788.5</u>

As at 31/3/2021

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
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>

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

## 3. OTHER INCOME AND GAINS, NET

	Six Months Ended	
	30/9/2021 HK\$ Million	30/9/2020 HK\$ Million
Interest income	3.6	21.4
Fair value change on financial assets at fair value through profit or loss	55.0	1.8
	<u>58.6</u>	<u>23.2</u>

#### 4. OPERATING PROFIT/(LOSS)

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

	<b>Six Months Ended</b>	
	<b>30/9/2021</b>	<b>30/9/2020</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Cost of property sales	67.5	8.0
Depreciation – property, plant and equipment	0.4	0.5
Depreciation – right-of-use assets	6.6	6.4
Expenses relating to short term leases	–	0.4

#### 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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>30/9/2021</b>	<b>30/9/2020</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Current income tax		
Hong Kong profits tax	0.1	0.5

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2021 of HK\$0.8 million (2020: HK\$0.3 million) is included in the consolidated income statement as share of results of associates.

#### 6. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$39.3 million (2020: loss attributable to equity holders of the Company of HK\$10.6 million) and ordinary shares in issue of 617,531,425 (2020: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2020: Nil).

#### 7. DEBTORS AND OTHER RECEIVABLES

	<b>30/9/2021</b>	<b>31/3/2021</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Other receivables, deposits and prepayments	14.7	9.8

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

## 8. CREDITORS AND OTHER PAYABLES

	<u>30/9/2021</u> HK\$ Million	<u>31/3/2021</u> HK\$ Million
Creditors, aged 0–3 months	20.3	2.1
Other payables, deposits and accruals	<u>140.3</u>	<u>136.0</u>
	<u>160.6</u>	<u>138.1</u>

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

## 9. BORROWINGS

	<u>30/9/2021</u> HK\$ Million	<u>31/3/2021</u> HK\$ Million
Non-current		
Bank loans		
– secured	<u>21.0</u>	–
	21.0	–
Current		
Bank loans		
– secured	<u>62.3</u>	<u>141.9</u>
	62.3	141.9
Total borrowings	<u>83.3</u>	<u>141.9</u>

As at 30th September 2021, the Group's borrowings are repayable within 2 years (31st March 2021: repayable within 1 year).

The Group's borrowings are all subject to interest-rate changes and contractual repricing within 6 months from the balance sheet date (31st March 2021: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$83.3 million (31st March 2021: HK\$141.9 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.45% (31st March 2021: 3.43%) per annum.

## **INTERIM DIVIDEND**

The Directors declared an interim dividend of HK 12 cents per share, same as last year. The said interim dividend is payable on 4th January 2022.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 15th December 2021 to 17th December 2021, 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 14th December 2021 in order that they may receive their dividend entitlement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Interim Results**

The Group's unaudited net profit attributable to equity holders of the Company for the six months ended 30th September 2021 (the "Period") amounted to HK\$39.3 million as compared to the net loss of HK\$10.6 million for the corresponding period in 2020.

The turnaround from loss to profit for the Period was mainly attributable to the recognition of HK\$55.0 million of net fair value gain on financial assets at fair value through profit or loss. Such fair value gain was resulted mainly from the initial public offering of an underlying portfolio company within an investment fund held by the Group.

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.

	<b>(Unaudited)</b> <b>30/9/2021</b> <b>HK\$ Million</b>	<b>(Unaudited)</b> <b>31/3/2021</b> <b>HK\$ Million</b>
Non-current assets, including interests in associates	255.1	282.7
Add: Attributable revaluation surplus relating to hotel properties*	<u>3,216.6</u>	<u>3,211.3</u>
	<u>3,471.7</u>	<u>3,494.0</u>
Current assets	6,836.4	6,885.7
Current liabilities	<u>(236.1)</u>	<u>(293.0)</u>
Net current assets	<u>6,600.3</u>	<u>6,592.7</u>
Total assets less current liabilities	10,072.0	10,086.7
Non-current liabilities	<u>(66.9)</u>	<u>(52.5)</u>
Net assets as if the hotel properties were stated at open market value	<u><u>10,005.1</u></u>	<u><u>10,034.2</u></u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u><u>\$16.20</u></u>	<u><u>\$16.25</u></u>

\* Based on open market valuations as at 31st March 2021.

## Property Development

Our Ap Lei Chau site will be developed into a luxurious residential building. General building plans were approved by the Buildings Department. Foundation works have been making steady progress since commencement in June this year.

Preparation works for sales launch of our Repulse Bay project, named “Pulsa”, are well underway. 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 1 and 2 of the project achieved favourable results on the back of improving market conditions. Construction works for Phase 3 commenced in July this year as scheduled.

## **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. Despite the pause on inbound tourism caused by the pandemic, the Hotel saw improvement in occupancy during the Period due to offering of quarantine packages. Having a low debt level and strong balance sheet, the Hotel is able to cope with the challenging operating environment. Rental of the whole hotel shopping mall, which is being leased by Sogo, continued to secure solid income for the Hotel. Renovation works for the Hotel commenced in late November this year, with expected completion by mid-2022.

Hopefully, international travel restrictions could gradually ease as vaccination is speeding up across major developed countries. Recovery of the local hotel industry depends to a large extent on the resumption of normal cross-boundary travel between Hong Kong and the Mainland, which is among the top agenda of the Government.

## **Prospects**

The Hong Kong economy was on the path to recovery, supported by vibrant external demand and stabilized local epidemic situation. The city’s COVID-19 vaccination program is accelerating. This, together with the buoyant private consumption related to the consumption voucher scheme, helped create favourable conditions for a broader based economic recovery. In the foreseeable future, new coronavirus variants will remain an endemic threat around the globe, casting gloom over the world economy.

The U.S. Federal Reserve has started to taper its quantitative easing program, but keeping the U.S. interest rates unchanged for the time being. As the market expects that the U.S. interest rates will remain close to zero for the next six months, concerns about the issue of raising interest rates here in Hong Kong are better than expected.

The ongoing economic recovery in Hong Kong supported momentum in the property market across different sectors. With limited supply of luxury residential properties, it is expected that demand will remain robust should the local epidemic situation continues to be brought under control. Besides, the active IPO market both in Hong Kong and Shenzhen brings new waves of c-suite entrants and high-net-worth individuals into the Hong Kong market, who are prime candidates for purchasing luxury residential properties.

The Government is planning to take multi-pronged measures to boost land and housing supply. It is hoped that these initiatives could help improve the social and economic well-being of Hong Kong in the long run.

Looking forward, the global pandemic development and geopolitical tension will remain the key sources of uncertainty over 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 in face of market changes. Having a strong balance sheet and ample cash on hand, the Group is able to remain resilience amid the challenges.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th September 2021, the Group's cash net of borrowings was HK\$1,831.1 million as compared with HK\$1,905.7 million at 31st March 2021. The Group's borrowings were payable within 2 years. 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 2021 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 1.2% at 30th September 2021, compared to 2.1% at 31st March 2021.

Certain properties for sale and properties under development of the Group with carrying values of HK\$387.6 million (31st March 2021: HK\$409.1 million) have been pledged to banks as security for facilities granted to the extent of HK\$169.6 million (31st March 2021: HK\$142.0 million) against which HK\$83.3 million (31st March 2021: HK\$141.9 million) has been utilised at the balance sheet date.

## **EMPLOYEES**

The Group, excluding associates, employs a total of 158 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$29.3 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 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.*