



# Tai Cheung Holdings Limited

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

**2018-2019 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)

**2018-2019 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 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

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Website: [www.taicheung.com](http://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



I am pleased to report the unaudited results of the Group for the six months ended 30th September 2018.

### Consolidated Income Statement

For the six months ended 30th September 2018

		(Unaudited) Six Months Ended	
	Note	30/9/2018 HK\$Million	30/9/2017 HK\$Million
Revenue	3	362.4	211.4
Cost of sales		(301.1)	(174.6)
Gross profit		61.3	36.8
Other income, net		32.3	16.5
Administrative expenses		(28.8)	(31.5)
Gain on disposal of associates		–	20.4
Operating profit	4	64.8	42.2
Share of results of associates, net of tax		67.4	63.5
Profit before income tax		132.2	105.7
Income tax expense	5	(6.9)	(2.8)
<b>Profit attributable to equity holders of the Company</b>		<b>125.3</b>	<b>102.9</b>
Dividends			
Interim, proposed, of HK 12 cents (2017: HK 12 cents) per ordinary share		74.1	74.1
Earnings per share (Basic and Diluted)	6	20.3¢	16.7¢

**Consolidated Statement of Comprehensive Income**

For the six months ended 30th September 2018

	(Unaudited)	
	Six Months Ended	
	<b>30/9/2018</b>	30/9/2017
	<b><i>HK\$Million</i></b>	<i>HK\$Million</i>
Profit for the period	<b>125.3</b>	102.9
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	-	(7.7)
Exchange differences	<b>(0.5)</b>	0.6
Total comprehensive income for the period and attributable to equity holders of the Company	<b>124.8</b>	95.8

**Consolidated Balance Sheet**

As at 30th September 2018

	Note	(Unaudited) 30/9/2018 HK\$Million	(Audited) 31/3/2018 HK\$Million
<b>Non-current assets</b>			
Property, plant and equipment		11.4	11.9
Associates		122.0	114.6
Amount due from an associate		24.6	-
Available-for-sale financial assets		-	49.9
Deferred income tax assets		40.1	40.0
Mortgage loans receivable		0.2	0.2
		<b>198.3</b>	<b>216.6</b>
<b>Current assets</b>			
Properties for sale		2,955.0	3,242.6
Properties under development		453.4	410.8
Debtors and other receivables	7	13.3	650.2
Financial assets at fair value through profit or loss		46.1	-
Amount due from an associate		-	24.6
Bank balances and cash		4,028.9	3,275.1
		<b>7,496.7</b>	<b>7,603.3</b>
<b>Current liabilities</b>			
Creditors and other payables	8	292.4	419.0
Borrowings	9	259.4	-
Current income tax liabilities		81.5	63.3
		<b>633.3</b>	<b>482.3</b>
Net current assets		<b>6,863.4</b>	<b>7,121.0</b>
Total assets less current liabilities		<b>7,061.7</b>	<b>7,337.6</b>
<b>Non-current liabilities</b>			
Borrowings	9	-	229.8
Deferred income tax liabilities		3.5	32.4
		<b>3.5</b>	<b>262.2</b>
Net assets		<b>7,058.2</b>	<b>7,075.4</b>
<b>Equity</b>			
Share capital		61.7	61.7
Retained profits		6,570.5	6,495.0
Other reserves		351.9	376.7
Proposed dividend		74.1	142.0
Total equity		<b>7,058.2</b>	<b>7,075.4</b>

**Consolidated Statement of Changes in Equity**

For the six months ended 30th September 2018

	(Unaudited)	
	Six Months Ended	
	<b>30/9/2018</b>	30/9/2017
	<b>HK\$Million</b>	HK\$Million
Total equity at 1st April	<b>7,075.4</b>	6,943.5
Profit for the period	<b>125.3</b>	102.9
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	-	(7.7)
Exchange differences	<b>(0.5)</b>	0.6
Total comprehensive income for the period	<b>124.8</b>	95.8
Transaction with equity holders:		
Dividends	<b>(142.0)</b>	(129.7)
Total equity at 30th September	<b>7,058.2</b>	6,909.6

**Condensed Consolidated Statement of Cash Flows**

For the six months ended 30th September 2018

	(Unaudited)	
	Six Months Ended	
	<b>30/9/2018</b>	<b>30/9/2017</b>
	<b>HK\$Million</b>	<b>HK\$Million</b>
Cash flows from operating activities		
Cash generated from operations	<b>799.2</b>	414.5
Interest paid	<b>(7.2)</b>	(4.7)
Hong Kong profits tax paid	<b>(17.7)</b>	(2.3)
Net cash from operating activities	<b>774.3</b>	407.5
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(0.4)
Interest received	<b>31.5</b>	12.7
Dividends received from associates	<b>60.0</b>	60.0
Additions to available-for-sale financial assets	-	(2.1)
Additions to financial assets at fair value through profit or loss	<b>(0.2)</b>	-
Investment income/distributions from available-for-sale financial assets	-	3.6
Distributions from financial assets at fair value through profit or loss	<b>0.1</b>	-
Decrease in mortgage loans receivable	-	0.1
Proceed from disposal of associates	-	42.6
Net cash from investing activities	<b>91.4</b>	116.5
Cash flows from financing activities		
Drawdowns of borrowings	<b>30.1</b>	32.5
Repayments of borrowings	-	(30.2)
Dividends paid	<b>(142.0)</b>	(129.7)
Net cash used in financing activities	<b>(111.9)</b>	(127.4)
Net increase in bank balances and cash	<b>753.8</b>	396.6
Bank balances and cash at 1st April	<b>3,275.1</b>	2,669.4
Bank balances and cash at 30th September	<b>4,028.9</b>	3,066.0



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 2018 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 2018 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 2018. 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, except for HKFRS 9, “Financial instruments” and HKFRS 15, “Revenue from contracts with customers”. The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below.

**2. CHANGES IN ACCOUNTING POLICIES**

The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained profits as at 1st April 2018 and that comparative figures had not been restated. The new accounting policies are set out below and the adjustments to the consolidated financial statements are set out in note 2(c).

**(a) HKFRS 9 – Financial instruments**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.



## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### (a) HKFRS 9 – Financial instruments (continued)

Accounting policies applied from 1st April 2018:

#### *Financial assets*

##### *Classification*

From 1st April 2018, the Group classifies its financial assets either those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

##### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

### (b) HKFRS 15 – Revenue from contracts with customers

HKFRS 15 replaces HKAS 18 “Revenue” which covers contracts for goods and services and HKAS 11 “Construction contracts” which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Accounting policy for property development activities applied from 1st April 2018:

- Revenue from pre-sale of properties under development is recognised when or as the control of the asset is transferred to the customer. It is recognised at a point in time when the customer obtains control and legal title of the completed property.
- The timing of revenue recognition for sale of completed properties would be recognised when the underlying property is legally transfer to the customer under the control transfer model.
- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property would be adjusted when significant financial component exists in that contract.
- Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### (c) Impact on the consolidated financial statements

The Group has applied HKFRS 9 and HKFRS 15 retrospectively from 1st April 2018. As permitted by the respective transitional provisions of these accounting standards, comparative figures were not restated. The reclassifications and adjustments were recognised in the opening consolidated balance sheet on 1st April 2018. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	As at 31st March 2018 as previously stated <i>HK\$Million</i>	Effect of the adoption of HKFRS 9 <i>HK\$Million</i>	As at 1st April 2018 restated <i>HK\$Million</i>
<b>Non-current assets</b>			
Available-for-sale financial assets	49.9	(49.9)	-
<b>Current assets</b>			
Financial assets at fair value through profit or loss	-	49.9	49.9
<b>Equity</b>			
Revaluation reserve	24.3	(24.3)	-
Retained profits	6,637.0	24.3	6,661.3

Upon adoption of HKFRS 9, available-for-sale financial assets with carrying amount of HK\$49.9 million did not meet the criteria to be classified as financial assets at fair value through other comprehensive income and were reclassified to financial assets at fair value through profit or loss on 1st April 2018. The corresponding accumulated fair value gains of HK\$24.3 million were transferred from revaluation reserve to retained profits on 1st April 2018. Subsequent fair value changes will be recognised in the profit or loss. For the six months ended 30th September 2018, fair value loss of HK\$3.9 million was recognised in the consolidated income statement.

The results of the adopted new impairment model as at 1st April 2018 have not resulted in material impact on the carrying amount of the Group's financial assets nor to the consolidated income statement for the six months ended 30th September 2018.

Adoption of HKFRS 15 has no impact to the opening consolidated balance sheet on 1st April 2018 nor to the consolidated income statement for the six months ended 30th September 2018.

### 3. 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	
	<b>30/9/2018</b>	<i>30/9/2017</i>
	<i>HK\$Million</i>	<i>HK\$Million</i>
Gross proceeds from sales of properties	<b>356.7</b>	204.3
Gross rental income from properties	<b>0.1</b>	0.6
Property management fees	<b>5.6</b>	6.5
	<b>362.4</b>	211.4

For the six months ended 30th September 2018, revenue from sales of properties was recognised at a point in time, and revenue from property management was recognised over time.

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 30/9/2018**

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Revenue	356.8	5.6	-	-	362.4
Segment results and operating profit	34.2	2.0	-	28.6	64.8
Share of results of associates, net of tax	-	-	67.4	-	67.4
Profit before income tax					132.2
Income tax expense	(6.6)	(0.3)	-	-	(6.9)
Profit attributable to equity holders of the Company					125.3

**3. REVENUE AND SEGMENT INFORMATION (continued)****(a) Revenue and profit attributable to equity holders of the company (continued)**

For the six months ended 30/9/2017

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Revenue	204.9	6.5	-	-	211.4
Segment results	8.3	1.3	-	12.2	21.8
Gain on disposal of associates	20.4	-	-	-	20.4
Operating profit	28.7	1.3	-	12.2	42.2
Share of results of associates, net of tax	1.9	-	61.6	-	63.5
Profit before income tax					105.7
Income tax expense	(2.6)	(0.2)	-	-	(2.8)
Profit attributable to equity holders of the Company					102.9

### 3. REVENUE AND SEGMENT INFORMATION (continued)

#### (b) Total assets and liabilities As at 30/9/2018

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Segment assets	3,476.8	85.9	-	3,985.7	7,548.4
Associates	-	-	146.6	-	146.6
Total assets					7,695.0
Segment liabilities	530.0	86.2	-	20.6	636.8
Net assets					7,058.2

As at 31/3/2018

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Segment assets	4,352.3	80.7	-	3,247.7	7,680.7
Associates	-	-	139.2	-	139.2
Total assets					7,819.9
Segment liabilities	654.0	80.5	-	10.0	744.5
Net assets					7,075.4

### 4. OPERATING PROFIT

	Six Months Ended 30/9/2018 <i>HK\$Million</i>	30/9/2017 <i>HK\$Million</i>
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Operating profit is stated after charging  
the following:

Cost of property sales	287.6	163.4
Depreciation	0.5	0.5

## 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	<b>30/9/2018</b>	30/9/2017
	<i>HK\$Million</i>	<i>HK\$Million</i>
Current income tax		
Hong Kong profits tax	<b>35.9</b>	19.2
Deferred income tax	<b>(29.0)</b>	(16.4)
	<b>6.9</b>	2.8

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2018 of HK\$13.2 million (2017: HK\$12.1 million) is included in the consolidated income statement as share of results of associates.

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$125.3 million (2017: HK\$102.9 million) and ordinary shares in issue of 617,531,425 (2017: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2017: Nil).

## 7. DEBTORS AND OTHER RECEIVABLES

	<b>30/9/2018</b>	31/3/2018
	<i>HK\$Million</i>	<i>HK\$Million</i>
Trade debtors, aged 0–3 months	–	639.5
Other receivables, deposits and prepayments	<b>13.3</b>	10.7
	<b>13.3</b>	650.2

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 31st March 2018, trade debtors of HK\$639.5 million were fully performing.

As at 31st March 2018, no trade debtor was impaired.

## 8. CREDITORS AND OTHER PAYABLES

	<b>30/9/2018</b> <i>HK\$Million</i>	<i>31/3/2018</i> <i>HK\$Million</i>
Creditors, aged 0–3 months	<b>27.7</b>	15.4
Other payables, deposits and accruals	<b>264.7</b>	403.6
	<b>292.4</b>	419.0

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

## 9. BORROWINGS

	<b>30/9/2018</b> <i>HK\$Million</i>	<i>31/3/2018</i> <i>HK\$Million</i>
Non-current		
Bank loans		
– unsecured	–	7.8
– secured	–	222.0
	–	229.8
Current		
Bank loans		
– unsecured	<b>7.8</b>	–
– secured	<b>251.6</b>	–
	<b>259.4</b>	–
Total borrowings	<b>259.4</b>	229.8

As at 30th September 2018, the Group's borrowings are repayable within 1 year (31st March 2018: 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 2018: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$259.4 million (31st March 2018: HK\$229.8 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 5.8% (31st March 2018: 5.0%) per annum.

## 10. 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 2018 and 31st March 2018.

	<b>30/9/2018</b> <b>Level 3</b> <i>HK\$Million</i>	<i>31/3/2018</i> <b>Level 3</b> <i>HK\$Million</i>
Assets		
Available-for-sale financial assets	–	49.9
Financial assets at fair value through profit or loss	<b>46.1</b>	–
	<b>46.1</b>	49.9

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.



## 10. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

### (i) Financial instruments (continued)

There were no changes in valuation techniques during the period.

	Six Months Ended	
	30/9/2018	30/9/2017
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the period	49.9	71.6
Additions	0.2	2.1
Distributions	(0.1)	-
Change in fair value recognised in equity	-	(7.7)
Change in fair value recognised in the consolidated income statement	(3.9)	-
At the end of the period	46.1	66.0

### (ii) Debtors and other receivables and creditors and other payables

The nominal values less impairment provisions of debtors and other receivables and creditors and other payables 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 12 cents per share, same as last year. The said interim dividend is payable on 3rd January 2019.

### Register of Members

The Register of Members will be closed from 17th December 2018 to 19th December 2018, 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 2018 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 2018 (the "Period") increased by 22% to HK\$125.3 million (2017: HK\$102.9 million). The increase in profit was mainly due to improved property sales.

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 2018.

	(Unaudited) 30/9/2018 <i>HK\$Million</i>	(Unaudited) 31/3/2018 <i>HK\$Million</i>
Non-current assets, including interests in associates	<b>198.3</b>	216.6
<i>Add:</i> Attributable revaluation surplus relating to hotel properties*	<b>3,260.9</b>	3,253.5
	<b>3,459.2</b>	3,470.1
Current assets	<b>7,496.7</b>	7,603.3
Current liabilities	<b>(633.3)</b>	(482.3)
Net current assets	<b>6,863.4</b>	7,121.0
Total assets less current liabilities	<b>10,322.6</b>	10,591.1
Non-current liabilities	<b>(3.5)</b>	(262.2)
Net assets as if the hotel properties were stated at open market value	<b>10,319.1</b>	10,328.9
Net assets per ordinary share as if the hotel properties were stated at open market value	<b>HK\$16.71</b>	HK\$16.73

\* Based on open market valuations as at 31st March 2018.

### Property Development

Certificate of compliance has been issued for our Repulse Bay project. Sales will be launched very soon. 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.

The sales of the remaining units at Metropole Square have been proceeding smoothly and recording solid performance. Nearly all the units have been sold as at 30th September 2018.

Superstructure work of French Valley Airport Center, an industrial and commercial project in California, is in good progress. Advantageously located adjacent to French Valley Airport, the site is being developed into a well-designed business center comprising single-storey buildings with ancillary facilities. The project is expected to be completed in phases from the second half of 2018 onwards. Upon completion, this modern architecture will offer brand new, high-quality and energy efficient construction convenient to business owners and customers alike.



### **Hotel**

Sheraton-Hong Kong Hotel, in which the Group has 35% interest, continued to uphold its position among the most prestigious 5-star hotels in Hong Kong. Sustained growth in inbound tourism helped boost demand for hotels in Hong Kong. During the Period, the hotel delivered encouraging performance, evidenced by its high occupancy and stable room rates. Rental of the whole hotel shopping mall, which is being leased by Sogo, continued to bring in a steady stream of income for the hotel.

Smooth opening of the Guangzhou-Shenzhen-HK high-speed railway and HK-Zhuhai-Macau Bridge will greatly enhance the flow of people and attract more inbound visitors. They enable Hong Kong to reinforce its present position as one of the top international tourist destination. The long-term prospects of the local hotel industry remain favourable.

### **Prospects**

The global economic growth forecast is clouded by market uncertainties including those generated by the US protectionist trade policy and the US interest rate hikes. Despite these macro challenges, there is still ample liquidity in Hong Kong. In the past year, the Hong Kong Government continued to actively participate in taking forward the development of the Greater Bay Area. It is expected that it will bring Hong Kong new areas of economic growth.

The local residential market showed signs of softening in recent months. However, new quality supply of ultra-luxury residential units is very limited, especially in traditional prime locations. Waterfront luxury houses are greatly sought after by high net worth individuals and investors. We are confident in the potential of our Repulse Bay project and believe it would generate high return for our shareholders.

The major banks in Hong Kong are starting to hike the interest rate. Although the extent was smaller than the rise in the US, Hong Kong interest rate is likely to go up next year. We will remain alert to the impact of interest rate up-cycle and market volatility. With a strong balance sheet and ample cash on hand, the Group is well positioned to overcome these challenges. As the Government has proposed various land supply schemes, we will continue to pursue opportunities to replenish our land bank with development potential.

### Liquidity and Financial Resources

At 30th September 2018, the Group's cash net of borrowings was HK\$3,769.5 million as compared with HK\$3,045.3 million at 31st March 2018. 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 2018 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 3.7% at 30th September 2018, compared to 3.2% at 31st March 2018.

Certain properties under development of the Group with carrying values of HK\$453.4 million (31st March 2018: HK\$410.8 million) have been pledged to banks as security for facilities granted to the extent of HK\$349.4 million (31st March 2018: HK\$350.3 million) against which HK\$251.6 million (31st March 2018: HK\$222.0 million) has been utilised at the balance sheet date.

### Employees and Emolument Policy

The Group, excluding associates, employs a total of 201 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$32.1 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.

The emolument policy for the general staff of the Group is set up by the management of the Group on the basis of their merits, qualifications and competence.

The emolument of the Directors and senior management of the Company are reviewed by the Remuneration Committee, having regard to individual duties and market practices.

### Directors' Interests

At 30th September 2018, 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	118,863,971	-	*61,335,074	-	<b>180,199,045</b>
Ivy Sau Ching Chan	20,132,706	-	-	-	<b>20,132,706</b>
Karl Chi Leung Kwok	282,462	-	-	-	<b>282,462</b>
Wing Sau Li	73,000	-	-	-	<b>73,000</b>

*\*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 2018, 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, 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 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, 28th November 2018