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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 2017

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2017.

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2017

		(Unaudited)	
		Six Months Ended	
	Note	30/9/2017	30/9/2016
		HK\$ Million	HK\$ Million
Revenue	2	211.4	76.4
Cost of sales		(174.6)	(70.1)
Gross profit		36.8	6.3
Other income		16.5	11.7
Administrative expenses		(31.5)	(27.1)
Gain on disposal of associates	3	20.4	–
Operating profit/(loss)	4	42.2	(9.1)
Share of results of associates, net of tax		63.5	62.9
Profit before income tax		105.7	53.8
Income tax expense	5	(2.8)	(0.6)
<b>Profit attributable to equity holders of the Company</b>		<b>102.9</b>	<b>53.2</b>
Dividends			
Interim, proposed, of HK 12 cents (2016: HK 11 cents) per ordinary share		74.1	67.9
Earnings per share (Basic and Diluted)	6	16.7¢	8.6¢

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2017

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2017</b>	<b>30/9/2016</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
	<u>                    </u>	<u>                    </u>
Profit for the period	102.9	53.2
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)	(8.9)
Exchange differences	<u>0.6</u>	<u>–</u>
Total comprehensive income for the period and attributable to equity holders of the Company	<u>95.8</u>	<u>44.3</u>

## CONSOLIDATED BALANCE SHEET

As at 30th September 2017

	Note	(Unaudited) 30/9/2017 HK\$ Million	(Audited) 31/3/2017 HK\$ Million
<b>Non-current assets</b>			
Property, plant and equipment		11.7	11.8
Associates		100.9	118.9
Amount due from an associate		–	24.6
Available-for-sale financial assets		66.0	71.6
Deferred income tax assets		40.0	40.0
Mortgage loans receivable		0.3	0.4
		<u>218.9</u>	<u>267.3</u>
<b>Current assets</b>			
Properties for sale		1,541.4	1,704.8
Properties under development		2,440.7	2,275.5
Debtors and other receivables	7	133.4	552.6
Amount due from an associate		24.6	0.7
Bank balances and cash		3,066.0	2,669.4
		<u>7,206.1</u>	<u>7,203.0</u>
<b>Current liabilities</b>			
Creditors and other payables	8	142.2	157.3
Borrowings	9	–	189.1
Current income tax liabilities		81.3	64.4
		<u>223.5</u>	<u>410.8</u>
Net current assets		<u>6,982.6</u>	<u>6,792.2</u>
Total assets less current liabilities		<u>7,201.5</u>	<u>7,059.5</u>
<b>Non-current liabilities</b>			
Borrowings	9	192.3	–
Deferred income tax liabilities		99.6	116.0
		<u>291.9</u>	<u>116.0</u>
Net assets		<u>6,909.6</u>	<u>6,943.5</u>
<b>Equity</b>			
Share capital		61.7	61.7
Retained profits		6,385.2	6,356.4
Other reserves		388.6	395.7
Proposed dividend		74.1	129.7
Total equity		<u>6,909.6</u>	<u>6,943.5</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 2017 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 2017 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 2017. 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 30/9/2017

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

#### 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

(b) *Total assets and liabilities*

As at 30/9/2017

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	4,170.2	73.4	–	3,055.9	7,299.5
Associates	–	–	125.5	–	125.5
Total assets					7,425.0
Segment liabilities	433.7	73.4	–	8.3	515.4
Net assets					6,909.6

As at 31/3/2017

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	4,584.2	68.2	–	2,673.7	7,326.1
Associates	28.5	–	123.9	(8.2)	144.2
Total assets					7,470.3
Segment liabilities	449.6	67.8	–	9.4	526.8
Net assets					6,943.5

**3. GAIN ON DISPOSAL OF ASSOCIATES**

During the period, the group disposed of its entire interest in Macfull Limited and Macfull Finance Limited to a major shareholder of the associates.

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

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

	Six Months Ended	
	30/9/2017	30/9/2016
	HK\$ Million	HK\$ Million
Cost of property sales	163.4	58.9
Depreciation	0.5	0.4

## 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the countries in which the Group operates.

	Six Months Ended	
	30/9/2017	30/9/2016
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong profits tax	19.2	6.5
Deferred income tax	(16.4)	(5.9)
	<u>2.8</u>	<u>0.6</u>

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2017 of HK\$12.1 million (2016: HK\$12.4 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\$102.9 million (2016: HK\$53.2 million) and ordinary shares in issue of 617,531,425 (2016: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2016: Nil).

## 7. DEBTORS AND OTHER RECEIVABLES

	30/9/2017	31/3/2017
	HK\$ Million	HK\$ Million
Trade debtors, aged 0–3 months	119.7	539.2
Other receivables, deposits and prepayments	13.7	13.4
	<u>133.4</u>	<u>552.6</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 2017, trade debtors of HK\$119.7 million (31st March 2017: HK\$539.2 million) were fully performing.

As at 30th September 2017, no trade debtor was impaired (31st March 2017: Nil).

## 8. CREDITORS AND OTHER PAYABLES

	<u>30/9/2017</u> HK\$ Million	<u>31/3/2017</u> HK\$ Million
Creditors, aged 0–3 months	18.2	30.1
Other payables, deposits and accruals	124.0	127.2
	<u>142.2</u>	<u>157.3</u>

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

## 9. BORROWINGS

	<u>30/9/2017</u> HK\$ Million	<u>31/3/2017</u> HK\$ Million
Non-current		
Bank loans		
– unsecured	24.2	–
– secured	168.1	–
	<u>192.3</u>	<u>–</u>
Current		
Bank loans		
– unsecured	–	28.8
– secured	–	160.3
	<u>–</u>	<u>189.1</u>
Total borrowings	<u>192.3</u>	<u>189.1</u>

The Group's borrowings are repayable between 1 to 2 years as at 30th September 2017 (31st March 2017: 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 2017: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$192.3 million (31st March 2017: HK\$189.1 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 4.8% (31st March 2017: 4.1%) per annum.



## **INTERIM DIVIDEND**

The Directors declared an interim dividend of HK 12 cents per share, representing an increase of 9% over HK 11 cents paid last year. The said interim dividend is payable on 4th January 2018.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 18th December 2017 to 20th December 2017, both days inclusive. Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15th December 2017 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 2017 (the "Period") increased by 93% to HK\$102.9 million (2016: HK\$53.2 million). The substantial 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 2017.

	(Unaudited) 30/9/2017 HK\$ Million	(Unaudited) 31/3/2017 HK\$ Million
Non-current assets, including interests in associates	218.9	267.3
Add: Attributable revaluation surplus relating to hotel properties*	3,181.6	3,174.4
	<u>3,400.5</u>	<u>3,441.7</u>
Current assets	7,206.1	7,203.0
Current liabilities	(223.5)	(410.8)
Net current assets	<u>6,982.6</u>	<u>6,792.2</u>
Total assets less current liabilities	10,383.1	10,233.9
Non-current liabilities	(291.9)	(116.0)
Net assets as if the hotel properties were stated at open market value	<u>10,091.2</u>	<u>10,117.9</u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u>HK\$16.34</u>	<u>HK\$16.38</u>

\* Based on open market valuations as at 31st March 2017.

## Property Development

Occupation permit has been issued for our Repulse Bay project. Preparation work for obtaining certificate of compliance is in progress. This super luxurious residential development commands spectacular sea views over the Repulse Bay against a backdrop of mountain greenery. It consists of eight houses with clubhouse facilities, offering a relaxing lifestyle. With its outstanding exterior design, the luxury accommodation is set to become a new landmark in the vicinity. Sales are planned to be launched after full completion.

Conveniently located adjacent to Shek Mun MTR station in Sha Tin with views towards Shing Mun River, Metropole Square attracts buyers and tenants looking for premium office space in the district. With increase in office property prices in the core business areas, the decentralisation trend appears to have gained momentum. Sales remain robust on the back of solid demand.

Superstructure work of French Valley Airport Center, an industrial and commercial project in California, is progressing smoothly. The project is expected to be completed in phases from 2018 onwards.

## **Hotel**

Sheraton-Hong Kong Hotel, in which the Group has 35% interest, enjoys a reputation as one of the most well-respected 5-star hotels in Hong Kong. As the challenging hotel business environment in Hong Kong showed signs of a turnaround, the hotel delivered encouraging performance during the Period. The whole hotel shopping mall, which has been leased by Sogo since 2014, continued to generate high steady rental income for the hotel. Visitor arrivals to Hong Kong has witnessed improvements since the fourth quarter of 2016. The potential revival of inbound tourism creates a favourable outlook for the local hotel industry.

## **Prospects**

The Hong Kong economy is expected to see moderate growth in the year ahead, attributable to local solid fundamentals and the Mainland's sustainable economic growth. Despite the US interest rate hikes during the year, the Hong Kong dollar interest rates remained soft in part reflecting ample liquidity in the banking system. The measured pace of balance sheet reduction by US Federal Reserve would bring a moderate impact to the risk of significant capital outflows, favourable to continued relatively low interest rate in Hong Kong. All these factors should render support to the local property market.

Recent home prices climbed at a slower pace. Demand for property remains high notwithstanding Government measures to cool the property market. Luxury residential prices, with the scarcity of new supply particularly in prime locations, would remain stable. 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 land supply under its Land Sale Programme, we will continue to pursue opportunities to replenish our land bank with development potential.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30th September 2017, the Group's cash net of borrowings was HK\$2,873.7 million as compared with HK\$2,480.3 million at 31st March 2017. The Group's borrowings were payable between one to two 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 2017 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 2.8% at 30th September 2017, compared to 2.7% at 31st March 2017.

Certain properties under development of the Group with carrying values of HK\$345.4 million (31st March 2017: HK\$302.0 million) have been pledged to banks as security for facilities granted to the extent of HK\$316.1 million (31st March 2017: HK\$222.5 million) against which HK\$168.1 million (31st March 2017: HK\$160.3 million) has been utilised at the balance sheet date.

## **EMPLOYEES**

The Group, excluding associates, employs a total of 203 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$32.7 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, 28th November 2017

*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.*