Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2019.

CONSOLIDATED INCOME STATEMENT
For the six months ended 30th September 2019

		(Unaudited) Six Months Ended	
	Note	**30/9/2019 HK$ Million**	**30/9/2018 HK$ Million**
Revenue	*3*	23.9	362.4
Cost of sales		(21.6)	(301.1)
Gross profit		2.3	61.3
Other income and gains/(losses), net		40.4	32.3
Administrative expenses		(32.7)	(28.8)
Operating profit	*4*	10.0	64.8
Finance costs		(3.6)	–
Share of results of associates, net of tax		64.6	67.4
Profit before income tax		71.0	132.2
Income tax expense	*5*	(0.6)	(6.9)
Profit attributable to equity holders of the Company		**70.4**	**125.3**
Dividends			
Interim, proposed, of HK 12 cents (2018: HK 12 cents) per ordinary share		74.1	74.1
Earnings per share (Basic and Diluted)	*6*	11.4¢	20.3¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2019

	(Unaudited) Six Months Ended 30/9/2019 HK$ Million	(Unaudited) Six Months Ended 30/9/2018 HK$ Million
Profit for the period	70.4	125.3
Other comprehensive income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences	(0.3)	(0.5)
Total comprehensive income for the period and attributable to equity holders of the Company	70.1	124.8

CONSOLIDATED BALANCE SHEET
As at 30th September 2019

	Note	(Unaudited) 30/9/2019 HK$ Million	(Audited) 31/3/2019 HK$ Million
Non-current assets			
Property, plant and equipment		11.2	11.1
Right-of-use-assets		74.9	–
Associates		147.2	137.2
Amount due from an associate		–	24.6
Deferred income tax assets		41.0	41.0
Mortgage loans receivable		0.2	0.2
		274.5	214.1
Current assets			
Properties for sale		3,234.0	3,250.0
Properties under development		296.2	288.5
Debtors and other receivables	7	16.7	14.6
Financial assets at fair value through profit or loss		31.1	41.8
Amount due from an associate		24.6	–
Current income tax recoverable		5.6	–
Bank balances and cash		3,660.7	3,817.9
		7,268.9	7,412.8
Current liabilities			
Creditors and other payables	8	201.7	242.6
Lease liabilities		11.0	–
Borrowings	9	–	289.9
Current income tax liabilities		0.5	4.3
		213.2	536.8
Net current assets		7,055.7	6,876.0
Total assets less current liabilities		7,330.2	7,090.1
Non-current liabilities			
Lease liabilities		63.8	–
Other liabilities		0.7	–
Borrowings	9	247.5	–
Deferred income tax liabilities		3.5	3.5
		315.5	3.5
Net assets		7,014.7	7,086.6
Equity			
Share capital		61.7	61.7
Retained profits		6,531.1	6,534.8
Other reserves		347.8	348.1
Proposed dividend		74.1	142.0
Total equity		7,014.7	7,086.6

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 2019 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 2019 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 2019. 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 16 "Leases". The impact of the adoption of this standard and the new accounting policy are disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted HKFRS 16 retrospectively from 1st April 2019, but has not restated comparatives for the 31st March 2019 reporting period, as permitted under the specific transitional provisions in the standard. In applying HKFRS 16 for the first time, the Group has applied the practical expedient permitted by the standard to account for operating leases of properties with a remaining lease term of less than 12 months as at 1st April 2019 as short-term leases and therefore no adjustment was made to the opening balance sheet on 1st April 2019.

A reconciliation of the operating lease commitments disclosed as at 31st March 2019 to the lease liabilities recognised as at 1st April 2019 is set out below.

	HK$ Million
Operating lease commitments disclosed as at 31st March 2019	6.0
Less: short-term leases recognised on a straight-line basis as expense	(6.0)
Lease liabilities recognised as at 1st April 2019	–

From 1st April 2019, property leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the lease commencement date.

Lease payments include fixed payments less any lease incentive receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The associated right-of-use assets were measured at the amount equal to the lease liability plus any initial direct costs and restoration costs, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated income statement.

In the condensed consolidated statement of cash flows, cash payment for the principal portion of the lease liabilities are classified as financing activities and cash payments for the interest portion of the lease liabilities are classified as required for interest paid.

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 30/9/2019 HK$ Million	Six months ended 30/9/2018 HK$ Million
Gross proceeds from sales of properties	17.6	356.7
Gross rental income from properties	0.4	0.1
Property management fees	5.9	5.6
	23.9	362.4

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 30/9/2019

	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
	18.0	5.9	–	–	23.9
Segment results and operating profit/(loss)	(28.4)	1.5	–	36.9	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					70.4

3. REVENUE AND SEGMENT INFORMATION (continued)

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

For the six months ended 30/9/2018

	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	356.7	–	–	–	356.7
– recognised over time	–	5.6	–	–	5.6
Revenue from other sources					
– rental income	0.1	–	–	–	0.1
	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

(b) *Total assets and liabilities*

As at 30/9/2019

	Property development and leasing HK$ Million	Property management HK$ Million	Hotel operation HK$ Million	Investment holding HK$ Million	Total HK$ Million
Segment assets	3,684.4	61.6	–	3,625.6	7,371.6
Associates	–	–	171.8	–	171.8
Total assets					7,543.4
Segment liabilities	458.2	61.3	–	9.2	528.7
Net assets					7,014.7

As at 31/3/2019

	Property development and leasing HK$ Million	Property management HK$ Million	Hotel operation HK$ Million	Investment holding HK$ Million	Total HK$ Million
Segment assets	3,602.3	66.1	–	3,796.7	7,465.1
Associates	–	–	161.8	–	161.8
Total assets					7,626.9
Segment liabilities	464.4	65.5	–	10.4	540.3
Net assets					7,086.6

4. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six Months Ended 30/9/2019 HK$ Million	30/9/2018 HK$ Million
Cost of property sales	16.4	287.6
Depreciation – property, plant and equipment	0.5	0.5
Depreciation – right-of-use assets	1.0	–

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 30/9/2019 HK$ Million	30/9/2018 HK$ Million
Current income tax		
Hong Kong profits tax	0.6	35.9
Deferred income tax	–	(29.0)
	0.6	6.9

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2019 of HK$12.6 million (2018: HK$13.2 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$70.4 million (2018: HK$125.3 million) and ordinary shares in issue of 617,531,425 (2018: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2018: Nil).

7. DEBTORS AND OTHER RECEIVABLES

	30/9/2019 HK$ Million	31/3/2019 HK$ Million
Other receivables, deposits and prepayments	16.7	14.6

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

8. CREDITORS AND OTHER PAYABLES

	30/9/2019 HK$ Million	31/3/2019 HK$ Million
Creditors, aged 0–3 months	1.0	3.7
Other payables, deposits and accruals	200.7	238.9
	201.7	242.6

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

9. BORROWINGS

	30/9/2019 HK$ Million	31/3/2019 HK$ Million
Non-current		
Bank loans		
– unsecured	13.3	–
– secured	234.2	–
	247.5	–
Current		
Bank loans		
– unsecured	–	14.1
– secured	–	275.8
	–	289.9
Total borrowings	247.5	289.9

As at 30th September 2019, the Group's borrowings are repayable between 1 and 2 years (31st March 2019: 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 2019: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK$247.5 million (31st March 2019: HK$289.9 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 5.4% (31st March 2019: 6.25%) 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 7th January 2020.

REGISTER OF MEMBERS

The Register of Members will be closed from 16th December 2019 to 18th December 2019, 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 13th December 2019 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 2019 (the "Period") amounted to HK$70.4 million (2018: HK$125.3 million). The substantial decline in profit is mainly attributable to significant decrease in property sales during the Period. Despite the aforesaid, the Group's unaudited consolidated financial statements for the Period indicate that the Group has a strong cash position. The Board considers that the overall financial position of the Group remains sound and solid.

The Group has equity accounted for its interest in Sheraton-Hong Kong Hotel, which has adopted the cost model for its hotel land and buildings which are stated at cost less accumulated depreciation, in accordance with the current accounting standards.

In order to fully reflect the underlying economic value of the Group's hotel properties, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on the basis that the Group were to state these hotel properties at their open market valuations as at 31st March 2019.

	(Unaudited) 30/9/2019 HK$ Million	(Unaudited) 31/3/2019 HK$ Million
Non-current assets, including interests in associates	274.5	214.1
Add: Attributable revaluation surplus relating to hotel properties*	3,488.4	3,478.6
	3,762.9	3,692.7
Current assets	7,268.9	7,412.8
Current liabilities	(213.2)	(536.8)
Net current assets	7,055.7	6,876.0
Total assets less current liabilities	10,818.6	10,568.7
Non-current liabilities	(315.5)	(3.5)
Net assets as if the hotel properties were stated at open market value	10,503.1	10,565.2
Net assets per ordinary share as if the hotel properties were stated at open market value	HK$17.01	HK$17.11

* *Based on open market valuations as at 31st March 2019.*

Property Development

Preparation works for sales launch of our Repulse Bay project, named "Pulsa", are 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. Phase I and II of the project were completed in the first quarter of 2019 and sales have been launched. Superstructural works of the remaining phases are progressing steadily and expected to be completed from the first half of 2021 onwards.

Hotel

Sheraton-Hong Kong Hotel, in which the Group has 35% interest, continued to enjoy high prestige among the 5-star hotels in Hong Kong. Amid ongoing large-scale violent protests in Hong Kong in recent months, hotel industry has taken its biggest beating in more than a decade as arrivals plummeted over the same period last year. As the hotel is located at the protest-hit area, it has recorded a sharp drop in both occupancy and room rates. Despite the slower economic backdrop, the hotel shopping mall continued to yield stable rental for the hotel.

The Government and the hotel industry could do more to attract visitors and stimulate the local market, but for the industry to recover, social stability needs to be restored.

Prospects

The synchronized slowdown in the global economy has been identified. It is more than a temporary phenomenon. Aggressive US approach to trade policy continues to weigh on the global economy. Social unrest gripping Hong Kong in recent months have aggravated the situation, posing an unprecedented threat to the local economy.

Home buyers and investors in general have become more cautious, yet there seems to be no major change in the short supply of the local property market. The housing initiatives recently announced by the Government could help improve overall sentiment in the property market in the near term. It is worth remembering that luxury prices are being supported by constrained supply levels, negative real interest rates and plenty of local liquidity, the likelihood of steep price discounts still seems remote. We are confident in the potential of our Repulse Bay project and believe it would generate high return for our shareholders.

With a sound financial system and stable Hong Kong dollar, the city has maintained very well its financial stability over the past few months. The Group has a long history of maintaining resilience across market cycles. We are confident of achieving sustainable performance over the long term in the face of challenges ahead. With a strong balance sheet and ample cash on hand, the Group is able to cope with market volatility and get positioned to the advantage of any opportunity that presents itself.

LIQUIDITY AND FINANCIAL RESOURCES

At 30th September 2019, the Group’s cash net of borrowings was HK$3,413.2 million as compared with HK$3,528.0 million at 31st March 2019. The Group’s borrowings were payable between 1 and 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 2019 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 3.5% at 30th September 2019, compared to 4.1% at 31st March 2019.

Certain properties for sale and properties under development of the Group with carrying values of HK$475.2 million (31st March 2019: HK$483.5 million) have been pledged to banks as security for facilities granted to the extent of HK$239.0 million (31st March 2019: HK$350.3 million) against which HK$234.2 million (31st March 2019: HK$275.8 million) has been utilised at the balance sheet date.

EMPLOYEES

The Group, excluding associates, employs a total of 190 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.

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, 27th November 2019

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.