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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 2022

I am pleased to report the unaudited results of the Group for the six months ended 30th September 2022.

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2022

		(Unaudited)	
		Six Months Ended	
	Note	30/9/2022	30/9/2021
		HK\$ Million	HK\$ Million
Revenue	2	17.8	90.1
Cost of sales		(16.6)	(81.6)
Gross profit		1.2	8.5
Other income and (loss)/gains, net	3	(6.9)	58.6
Administrative expenses		(28.5)	(29.6)
Operating (loss)/profit	4	(34.2)	37.5
Finance costs		(1.0)	(2.1)
Share of results of associates, net of tax		2.4	4.0
(Loss)/profit before income tax		(32.8)	39.4
Income tax expense	5	(0.3)	(0.1)
<b>(Loss)/profit attributable to equity holders of the Company</b>		<b>(33.1)</b>	<b>39.3</b>
(Loss)/earnings per share (basic and diluted), HK dollars	6	(5.4¢)	6.4¢
Dividends, HK\$ Million			
Interim, proposed, of HK 12 cents (2021: HK 12 cents) per ordinary share		74.1	74.1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2022

	<b>(Unaudited)</b>	
	<b>Six Months Ended</b>	
	<b>30/9/2022</b>	<b>30/9/2021</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
(Loss)/profit for the period	(33.1)	39.3
Other comprehensive income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences	0.7	0.4
Total comprehensive (loss)/income for the period and attributable to equity holders of the Company	(32.4)	39.7

**CONSOLIDATED BALANCE SHEET***As at 30th September 2022*

		<b>(Unaudited)</b> <b>30/9/2022</b> <b>HK\$ Million</b>	<b>(Audited)</b> <b>31/3/2022</b> <b>HK\$ Million</b>
Non-current assets			
Property, plant and equipment		1.4	1.5
Right-of-use assets		37.9	54.2
Associates		165.8	163.4
Amount due from an associate		108.6	14.0
Deferred income tax assets		41.0	41.0
Mortgage loans receivable		0.1	0.1
		<u>354.8</u>	<u>274.2</u>
Current assets			
Properties for sale		3,061.9	3,070.0
Properties under development		1,894.4	1,809.7
Debtors and other receivables	7	16.5	9.7
Financial assets at fair value through profit or loss		38.4	57.2
Amount due from an associate		–	24.6
Bank balances and cash		1,505.3	1,729.5
		<u>6,516.5</u>	<u>6,700.7</u>
Current liabilities			
Creditors and other payables	8	152.5	154.9
Lease liabilities		10.5	13.4
Borrowings	9	112.4	–
Current income tax liabilities		0.3	0.1
		<u>275.7</u>	<u>168.4</u>
Net current assets		<u>6,240.8</u>	<u>6,532.3</u>
Total assets less current liabilities		<u>6,595.6</u>	<u>6,806.5</u>
Non-current liabilities			
Lease liabilities		21.6	34.9
Other liabilities		0.7	0.7
Borrowings	9	–	91.1
Deferred income tax liabilities		3.5	3.5
		<u>25.8</u>	<u>130.2</u>
Net assets		<u>6,569.8</u>	<u>6,676.3</u>
Equity			
Share capital		61.7	61.7
Retained profits		6,082.4	6,189.6
Other reserves		351.6	350.9
Proposed dividend		74.1	74.1
Total equity		<u>6,569.8</u>	<u>6,676.3</u>

**Notes:**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed financial statements should be read in conjunction with the 2022 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 2022 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 2022. 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>30/9/2022</b>	<b>30/9/2021</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Gross proceeds from sales of properties	12.6	83.3
Gross rental income from properties	0.4	2.1
Property management fees	4.8	4.7
	<u>17.8</u>	<u>90.1</u>

Segment information is presented on the same basis as that used by the Directors to assess the performance of each reporting segment.

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

**For the six months ended 30/9/2022**

	<b>Property development and leasing</b>	<b>Property management</b>	<b>Hotel operation</b>	<b>Investment holding</b>	<b>Total</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
Revenue					
– recognised at a point in time	12.6	–	–	–	12.6
– recognised over time	–	4.8	–	–	4.8
Revenue from other sources					
– rental income	0.4	–	–	–	0.4
	<u>13.0</u>	<u>4.8</u>	<u>–</u>	<u>–</u>	<u>17.8</u>
Segment results and operating (loss)/ profit	<u>(23.1)</u>	<u>1.6</u>	<u>–</u>	<u>(12.7)</u>	<u>(34.2)</u>
Finance costs	(1.0)	–	–	–	(1.0)
Share of results of associates, net of tax	–	–	2.4	–	2.4
Loss before income tax					(32.8)
Income tax expense	–	(0.3)	–	–	(0.3)
Loss attributable to equity holders of the company					<u>(33.1)</u>

## 2. REVENUE AND SEGMENT INFORMATION (continued)

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

For the six months ended 30/9/2021

	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	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>

The analysis of revenue by geographical area is as follows:

	Six Months Ended	
	30/9/2022 HK\$ Million	30/9/2021 HK\$ Million
Hong Kong	4.6	4.6
United States	13.2	85.5
	<u>17.8</u>	<u>90.1</u>

Revenue of approximately HK\$12.6 million (2021: HK\$60.0 million) are derived from one (2021: four) major customer contributing 10% or more of the total revenue.

## 2. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Total assets and liabilities

As at 30/9/2022

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	5,081.2	82.2	–	1,433.5	6,596.9
Associates	–	–	274.4	–	274.4
Total assets					6,871.3
Segment liabilities	209.8	81.7	–	10.0	301.5
Net assets					<u>6,569.8</u>

As at 31/3/2022

	Property development and leasing HK\$ Million	Property management HK\$ Million	Hotel operation HK\$ Million	Investment holding HK\$ Million	Total HK\$ Million
Segment assets	5,027.4	79.0	–	1,666.5	6,772.9
Associates	–	–	202.0	–	202.0
Total assets					6,974.9
Segment liabilities	208.6	78.7	–	11.3	298.6
Net assets					<u>6,676.3</u>

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

## 3. OTHER INCOME AND (LOSS)/GAINS, NET

	Six Months Ended	
	30/9/2022 HK\$ Million	30/9/2021 HK\$ Million
Interest income	10.4	3.6
Fair value change on financial assets at fair value through profit or loss	(18.5)	55.0
Subsidies from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region	1.2	–
	<u>(6.9)</u>	<u>58.6</u>

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

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

	Six Months Ended	
	30/9/2022	30/9/2021
	HK\$ Million	HK\$ Million
Cost of property sales	8.2	67.5
Depreciation – property, plant and equipment	0.3	0.4
Depreciation – right-of-use assets	6.4	6.6

#### 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	30/9/2022	30/9/2021
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong profits tax	0.3	0.1

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2022 of HK\$0.2 million (2021: HK\$0.8 million) is included in the consolidated income statement as share of results of associates.

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

The calculation of (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$33.1 million (2021: profit attributable to equity holders of the Company of HK\$39.3 million) and ordinary shares in issue of 617,531,425 (2021: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2021: Nil).

#### 7. DEBTORS AND OTHER RECEIVABLES

	30/9/2022	31/3/2022
	HK\$ Million	HK\$ Million
Other receivables, deposits and prepayments	16.5	9.7

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



## 8. CREDITORS AND OTHER PAYABLES

	<u>30/9/2022</u> HK\$ Million	<u>31/3/2022</u> HK\$ Million
Creditors, aged 0–3 months	10.8	10.2
Other payables, deposits and accruals	<u>141.7</u>	<u>144.7</u>
	<u>152.5</u>	<u>154.9</u>

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

## 9. BORROWINGS

	<u>30/9/2022</u> HK\$ Million	<u>31/3/2022</u> HK\$ Million
Non-current		
Bank loans		
– secured	<u>–</u>	<u>91.1</u>
	–	91.1
Current		
Bank loans		
– secured	<u>112.4</u>	<u>–</u>
	112.4	–
Total borrowings	<u>112.4</u>	<u>91.1</u>

As at 30th September 2022, the Group's borrowings are repayable within 1 year (31st March 2022: 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 2022: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$112.4 million (31st March 2022: HK\$91.1 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 6.49% (31st March 2022: 3.73%) 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 5th January 2023.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from 15th December 2022 to 19th December 2022, 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 2022 in order that they may receive their dividend entitlement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Interim Results**

The Group's unaudited net loss attributable to equity holders of the Company for the six months ended 30th September 2022 (the "Period") amounted to HK\$33.1 million as compared to the net profit of HK\$39.3 million for the corresponding period in 2021.

The turnaround from profit to loss for the Period was mainly attributable to the net fair value loss on financial assets at fair value through profit or loss of HK\$18.5 million, as compared to the net fair value gain of HK\$55.0 million for the corresponding period in 2021.

Despite the aforesaid, the Group's unaudited consolidated financial statements as at 30th September 2022 indicate that the Group has a strong cash position with low gearing level. The Board considers that the overall financial position of the Group remains sound and solid.

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

In order to fully reflect the underlying economic value of the Group's hotel properties, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on the basis that the Group were to state these hotel properties at their open market valuations as at 31st March 2022.

	<b>(Unaudited)</b> <b>30/9/2022</b> <b>HK\$ Million</b>	<b>(Unaudited)</b> <b>31/3/2022</b> <b>HK\$ Million</b>
Non-current assets, including interests in associates	354.8	274.2
<i>Add: Attributable revaluation surplus relating to hotel properties*</i>	<u>3,186.4</u>	<u>3,231.5</u>
	<u>3,541.2</u>	<u>3,505.7</u>
Current assets	6,516.5	6,700.7
Current liabilities	<u>(275.7)</u>	<u>(168.4)</u>
Net current assets	<u>6,240.8</u>	<u>6,532.3</u>
Total assets less current liabilities	9,782.0	10,038.0
Non-current liabilities	<u>(25.8)</u>	<u>(130.2)</u>
Net assets as if the hotel properties were stated at open market value	<u><u>9,756.2</u></u>	<u><u>9,907.8</u></u>
Net assets per ordinary share as if the hotel properties were stated at open market value	<u><u>\$15.80</u></u>	<u><u>\$16.04</u></u>

\* Based on open market valuations as at 31st March 2022.

## **Property Development**

Our Ap Lei Chau site will be developed into a luxurious residential building. Bulk excavation work was commenced in mid-June of 2022. The work has been progressing steadily as scheduled, and is anticipated to be completed in December 2022. Pile cap construction will then follow.

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 satisfactory results as most of the units have been sold as at 30th September 2022. Following the completion of construction works for Phase 3 in October 2022, and the coming governmental inspections, it is expected that these units will be for sale in January 2023.

## **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. Hotel occupancy rate has seen some improvement since June 2022 after the 5th wave of Covid-19 reaching its peak in March 2022. This is mainly driven by domestic demand as a result of relaxation of social distancing measures.

Having a 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. In preparation for the gradual reopening of the city’s borders to international visitors, the Hotel has been undergoing renovation since late November 2021 to enhance its competitiveness and income potential. Renovation is expected to be completed by January 2023.

With the gradual lifting of international travel restrictions, the local hotel industry will continue moving towards recovery. However, as the Hong Kong Government still has no definite time frame for ending all Covid-19 entry curbs, the path to recovery is likely to be challenging.

## **Prospects**

During the Period, the economy in Hong Kong and other parts of the world remained volatile with the adverse impact of the Covid-19 pandemic, and the instability in the international financial markets and political arena.

As the epidemic situation here in Hong Kong has become generally stable over the past months, local economic activities are seeing some revival. Looking forward, the gradual easing of the Government anti-Covid-19 measures and the rapid roll out of mass vaccination ongoing currently would allow room for the city to reconnect with the world as fast as possible.

In the near term, the uncertain economic conditions and interest rate hike cycle are expected to continue weighing on the property market sentiment. On the other hand, the rise in interest rate will boost the Group's interest income substantially due to its net cash position. Further, the Group remains confident of the prospects of the luxury residential property market in Hong Kong which has been demonstrating resilience supported by limited supply and solid pent-up demand driven by home buyers.

The mainland has recently announced a relaxation of Covid restrictions, making a major move for its border reopening in the coming future, advantageous to Hong Kong's economic recovery. In the long-term perspective, the Group remains optimistic about the future of Hong Kong and its role in the Greater Bay Area Initiative and the National 14<sup>th</sup> Five-Year Plan, which have injected continuous impetus to its growth.

The Group will monitor closely the impact of the challenges 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 uncertainty. 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 2022, the Group's cash net of borrowings was HK\$1,392.9 million as compared with HK\$1,638.4 million at 31st March 2022. The Group's borrowings were payable within 1 year. All the Group's borrowings were denominated in United States dollars. The US dollar loans are directly tied in with the business of the Group's US operations, and therefore these loans are substantially hedged by assets in the same currency.

Committed bank borrowing facilities available to the Group at 30th September 2022 bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 1.7% at 30th September 2022, compared to 1.4% at 31st March 2022.

Certain properties for sale and properties under development of the Group with carrying values of HK\$422.5 million (31st March 2022: HK\$392.9 million) have been pledged to banks as security for facilities granted to the extent of HK\$131.8 million (31st March 2022: HK\$139.2 million) against which HK\$112.4 million (31st March 2022: HK\$91.1 million) has been utilised at the balance sheet date.

## **EMPLOYEES**

The Group, excluding associates, employs a total of 157 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$28.4 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**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. During the Period, the Company has complied with the code provisions of the CG Code except in relation to the followings:

- (1) Under code provision C.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. The Board believes that the balance of power and authority under such arrangement would not be impaired and would continue to be adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive directors of the Company.

- (2) Under the second part of code provision B.2.2 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. The Board

believes that the continuity of the office of chairman and managing director provides the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategies. The Board is of the view that the present arrangement is most beneficial to the Company and the shareholders as a whole.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

## **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 2022

*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.*