



# Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

**2003-2004 INTERIM REPORT**

**大昌集團有限公司**

(於百慕達註冊成立之有限公司)

**2003-2004 年度中期報告**



I am pleased to report the unaudited results of the Group for the six months ended 30th September 2003.

### Consolidated Profit and Loss Account

For the six months ended 30th September 2003

		(Unaudited)	
		Six Months Ended	
		30/9/2003	30/9/2002
			(As restated)
	Note	HK\$Million	HK\$Million
Turnover	2	54.7	92.6
Cost of property sales		(3.8)	(40.6)
Property expenses		(16.3)	(15.2)
Gross profit		34.6	36.8
Administrative expenses		(17.3)	(19.7)
Provision for investment securities		(3.9)	(6.2)
Operating profit	3	13.4	10.9
Finance costs		(1.4)	(2.8)
Share of profits of associated companies		8.3	32.1
Profit before taxation		20.3	40.2
Taxation	5	(2.8)	(6.2)
Profit attributable to shareholders		17.5	34.0
Dividends			
Interim, proposed, of HK 2 cents (2002: HK 2 cents) per ordinary share		12.4	12.4
Earnings per share	6	2.8¢	5.5¢

**Consolidated Balance Sheet**

As at 30th September 2003

		<b>(Unaudited)</b>	<b>(As restated)</b>
		<b>30/9/2003</b>	<b>31/3/2003</b>
	<i>Note</i>	<b>HK\$Million</b>	<b>HK\$Million</b>
Fixed assets		<b>150.5</b>	150.4
Associated companies		<b>1,192.6</b>	1,187.5
Investment securities		<b>54.2</b>	47.1
Deferred tax assets		<b>12.1</b>	10.8
Mortgage loans receivable		<b>20.0</b>	20.9
Current assets			
Properties for sale		<b>2,766.8</b>	2,770.6
Properties under development		<b>155.4</b>	129.6
Mortgage loans receivable		<b>0.1</b>	–
Tax recoverable		<b>0.9</b>	1.0
Debtors, deposits and prepayments	7	<b>16.7</b>	15.6
Bank balances and cash		<b>60.9</b>	75.8
		<b>3,000.8</b>	2,992.6
Current liabilities			
Creditors, deposits and accruals	8	<b>64.2</b>	63.8
Bank loans – secured		<b>111.0</b>	69.0
Bank loans – unsecured		<b>82.0</b>	70.0
Current portion of long term liabilities	9	–	4.0
		<b>257.2</b>	206.8
Net current assets		<b>2,743.6</b>	2,785.8
Total assets less current liabilities		<b>4,173.0</b>	4,202.5
Financed by:			
Share capital		<b>61.7</b>	61.7
Retained profit		<b>2,652.8</b>	2,647.7
Other reserves		<b>1,393.3</b>	1,393.6
Proposed dividend		<b>12.4</b>	–
Shareholders' funds		<b>4,120.2</b>	4,103.0
Long term liabilities	9	<b>51.1</b>	98.1
Deferred tax liabilities		<b>1.7</b>	1.4
Funds employed		<b>4,173.0</b>	4,202.5

**Consolidated Statement of Changes in Equity**

For the six months ended 30th September 2003

	(Unaudited)	
	Six Months Ended	
	30/9/2003	30/9/2002
		(As restated)
	<i>HK\$Million</i>	<i>HK\$Million</i>
Shareholders' funds at 1st April, as previously reported	4,092.2	4,571.3
Effect of the adoption of SSAP 12 (revised)	10.8	7.4
Shareholders' funds at 1st April, as restated	4,103.0	4,578.7
Exchange reserve movement	(0.3)	–
Profit attributable to shareholders	17.5	34.0
Dividends	–	(12.3)
Shareholders' funds at 30th September	4,120.2	4,600.4

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30th September 2003

	(Unaudited)	
	Six Months Ended	
	30/9/2003	30/9/2002
	<i>HK\$Million</i>	<i>HK\$Million</i>
Net cash used in operating activities	<b>(7.5)</b>	(63.4)
Net cash (used in)/from investing activities	<b>(10.3)</b>	33.0
Net cash from financing activities	<b>3.0</b>	24.9
Net decrease in cash and cash equivalents	<b>(14.8)</b>	(5.5)
Cash and cash equivalents at 1st April	<b>75.8</b>	65.5
Effect of foreign exchange rate changes	<b>(0.1)</b>	–
Cash and cash equivalents at 30th September	<b>60.9</b>	60.0
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>60.9</b>	60.0



*Notes:*

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

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has adopted SSAP 12 (revised) “Income Taxes” which became effective for the current accounting period. The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred taxation.

In accordance with SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Consolidated Statement of Changes in Equity, opening retained earnings at 1st April 2002 and 2003 have been increased by HK\$7.4 million and HK\$10.8 million respectively, which represent the unprovided deferred tax assets. This change has resulted in an increase in deferred tax assets at 31st March 2003 by HK\$10.8 million. The profit for the six months ended 30th September 2002 have been reduced by HK\$0.2 million.

**2. TURNOVER, REVENUES AND SEGMENT INFORMATION**

The Group is principally engaged in property investment and development, investment holding and property management.

Segment information is presented in respect of the Group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the nature of the operation of the Group.

**2. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)**
**(a) Primary reporting format – business segments**

	Six Months Ended 30/9/2003					Group HK\$Million
	Property development HK\$Million	Property leasing HK\$Million	Property management HK\$Million	Hotel operation HK\$Million	Investment holding HK\$Million	
Turnover	4.1	47.1	3.4	–	0.1	54.7
Segment results before provision	(25.9)	42.2	1.5	–	(0.4)	17.4
Provision for investment securities	–	–	–	–	(3.9)	(3.9)
Segment results	(25.9)	42.2	1.5	–	(4.3)	13.5
Unallocated costs						(0.1)
Operating profit						13.4
Finance costs						(1.4)
Share of profits of associated companies	–	–	–	8.3	–	8.3
Profit before taxation						20.3
Taxation						(2.8)
Profit attributable to shareholders						17.5

	Six Months Ended 30/9/2002 (As restated)					Group HK\$Million
	Property development HK\$Million	Property leasing HK\$Million	Property management HK\$Million	Hotel operation HK\$Million	Investment holding HK\$Million	
Turnover	43.6	45.0	3.7	–	0.3	92.6
Segment results before provision	(23.7)	39.7	1.8	–	(0.6)	17.2
Provision for investment securities	–	–	–	–	(6.2)	(6.2)
Segment results	(23.7)	39.7	1.8	–	(6.8)	11.0
Unallocated costs						(0.1)
Operating profit						10.9
Finance costs						(2.8)
Share of profits of associated companies	0.3	–	–	31.8	–	32.1
Profit before taxation						40.2
Taxation						(6.2)
Profit attributable to shareholders						34.0

**2. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)****(b) Secondary reporting format – geographical segments**

	Turnover		Operating results	
	Six Months Ended		Six Months Ended	
	30/9/2003	30/9/2002	30/9/2003	30/9/2002
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Hong Kong	54.5	66.9	16.0	12.7
United States of America	0.2	25.7	(2.6)	(1.8)
	54.7	92.6	13.4	10.9

**3. OPERATING PROFIT**

	Six Months Ended	
	30/9/2003	30/9/2002
	HK\$Million	HK\$Million
Operating profit is stated after charging the following:		
Auditors' remuneration	0.5	0.5
Depreciation	0.1	0.1
Directors' emoluments		
– fees	0.1	0.1
– salaries, bonuses and other emoluments	1.4	1.6
– provident fund contributions	0.1	0.1
Operating lease rentals – land and buildings	3.0	3.0
Outgoings in respect of		
– investment properties	1.6	1.8
– other properties	1.7	1.5

**4. STAFF COSTS**

The amount of staff costs (excluding directors' emoluments as disclosed in note 3) charged to the consolidated profit and loss account represents:

	Six Months Ended	
	30/9/2003	30/9/2002
	HK\$Million	HK\$Million
Salaries and allowances	20.2	21.5
Provident fund contributions less forfeitures	1.4	1.4
Less: Recharge of staff costs to building management funds	(9.8)	(10.2)
	11.8	12.7



## 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period.

	Six Months Ended	
	30/9/2003	30/9/2002 (As restated)
	<i>HK\$Million</i>	<i>HK\$Million</i>
<b>Company and subsidiaries:</b>		
Hong Kong profits tax	0.6	1.2
Deferred taxation	(0.1)	0.2
Deferred taxation resulting from an increase in tax rate	(0.9)	–
	<b>(0.4)</b>	<b>1.4</b>
<b>Associated companies:</b>		
Hong Kong profits tax	1.6	4.8
Deferred taxation	0.1	–
Deferred taxation resulting from an increase in tax rate	1.5	–
	<b>3.2</b>	<b>4.8</b>
	<b>2.8</b>	<b>6.2</b>

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$17.5 million (2002 as restated: HK\$34.0 million) and ordinary shares in issue of 617,531,425 (2002: 617,531,425).

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

Ageing analysis

	30/9/2003	31/3/2003
	<i>HK\$Million</i>	<i>HK\$Million</i>
Debtors – 0-3 months	6.0	3.6
Deposits and prepayments	10.7	12.0
	<b>16.7</b>	<b>15.6</b>

The credit terms given to the customers vary and are generally within three months.

## 8. CREDITORS, DEPOSITS AND ACCRUALS

Ageing analysis

	<b>30/9/2003</b> <i>HK\$Million</i>	<i>31/3/2003</i> <i>HK\$Million</i>
Creditors – 0-3 months	2.0	2.1
– Over 3 months	–	0.1
Deposits and accruals	<b>2.0</b> <b>62.2</b>	2.2 61.6
	<b>64.2</b>	63.8

## 9. LONG TERM LIABILITIES

	<b>30/9/2003</b> <i>HK\$Million</i>	<i>31/3/2003</i> <i>HK\$Million</i>
Secured bank loans		
– wholly repayable within five years	<b>51.1</b>	102.1
Less: Amounts repayable within one year included under current liabilities	–	(4.0)
	<b>51.1</b>	98.1

The maturity of the Group's long term liabilities is as follows:

	<b>30/9/2003</b> <i>HK\$Million</i>	<i>31/3/2003</i> <i>HK\$Million</i>
Secured bank loans		
Within one year	–	4.0
In the second year	<b>51.1</b>	47.0
In the third to fifth years	–	51.1
	<b>51.1</b>	102.1

## 10. COMMITMENTS

	<b>30/9/2003</b> <i>HK\$Million</i>	<i>31/3/2003</i> <i>HK\$Million</i>
Capital commitment in respect of investment securities	<b>97.3</b>	101.1
Development expenses contracted but not provided for in respect of properties under development	<b>45.0</b>	16.4
	<b>142.3</b>	117.5



### Interim Dividend

The Directors declared an interim dividend of HK 2 cents per share, same as last year. The said interim dividend is payable on 20th February 2004.

### Register of Members

The Register of Members will be closed from 5th January 2004 to 9th January 2004, both days inclusive. Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 2nd January 2004 in order that they may receive their dividend entitlement.

### Management Discussion and Analysis

#### Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30th September 2003 amounted to HK\$17.5 million as compared with HK\$34.0 million for the same period in 2002. The decline is mainly attributed to our hotel interests being adversely affected by the SARS crisis during the first half of the year.

#### Property Development

Construction work at San Clemente Technology Park II in California is in progress. Site formation and foundation works at our Chung Hum Kok luxury residential project have been completed and superstructural works have already begun. The luxury residential sector is the strongest at present in the Hong Kong property market. Your Group is expected to generate substantial profits from the Chung Hom Kok project.

#### Hotel

The SARS crisis during the first half of the year has adversely affected the Sheraton-Hong Kong Hotel, in which your Group has 35% interest. However, the recovery has come much sooner than expected. During the past two months, occupancy and room rates have almost returned to the pre-SARS levels.

#### High-Tech Investments

We have seen a recovery recently in the US high-tech sector, especially in biotechnology. Some funds that we have invested in have some of their companies preparing for IPOs in the near future.

#### Prospects

The Hong Kong economy is recovering from the SARS crisis, with strong help from central government's economic policies such as CEPA and individual travellers from the mainland. However, domestic consumption remains weak; it would take a long time for the Hong Kong economy to achieve a genuine sustained recovery. The strongest sector in the property market is the luxury residential, which your Group will concentrate on in the next few years.



### Liquidity and Financial Resources

At 30th September 2003, the Group's borrowings net of cash was HK\$183.2 million as compared with HK\$165.3 million at 31st March 2003. 79.1% of the Group's borrowings were payable within one year and 20.9% were payable between two to five years. All the Group's borrowings were denominated in Hong Kong dollars.

Committed borrowing facilities available to the Group, but not drawn at 30th September 2003, amounted to HK\$290.7 million. All such banking facilities bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 5.9% at 30th September 2003, remained at the same level as at 31st March 2003.

Certain properties of the Group with a carrying value of HK\$884.9 million (31st March 2003: HK\$840.9 million) have been pledged to banks as security for facilities granted to the extent of HK\$361.8 million (31st March 2003: HK\$348.0 million) against which HK\$162.1 million (31st March 2003: HK\$171.1 million) has been utilised at the balance sheet date.

### Human Resources

The Group, excluding associated companies, employs a total of 242 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$21.6 million for the period ended 30th September 2003. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

### Directors' Interests

At 30th September 2003, 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	107,002,971	-	*61,335,074	-	<b>168,338,045</b>
Chan Sau Ching	20,132,706	-	-	-	<b>20,132,706</b>
Kwok Chi Leung	221,212	-	-	-	<b>221,212</b>
Li Wing Sau	27,000	-	-	-	<b>27,000</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 position in the shares of the Company.

Save as disclosed above, no directors, chief executives 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 Companies.

During the period under review, the Company did not grant any rights to its Directors or Chief Executive to subscribe for shares of the Company.

### Substantial Shareholders

At 30th September 2003, the register of substantial shareholders maintained under section 336 of the SFO showed that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are 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
EK Investment Management Limited	31,692,000

All the interests disclosed above represent 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 as at 30th September 2003.

### Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has 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 and financial reporting matters including the review of these unaudited interim accounts.

### Compliance with the Code of Best Practice

During the period, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of the Stock Exchange except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

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, 11th December 2003