



Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

2004-2005 INTERIM REPORT

大昌集團有限公司

(於百慕達註冊成立之有限公司)

2004-2005 年度中期報告



I am pleased to report the unaudited results of the Group for the six months ended 30th September 2004.

Consolidated Profit and Loss Account

For the six months ended 30th September 2004

		(Unaudited) Six Months Ended	
	<i>Note</i>	30/9/2004 <i>HK\$Million</i>	30/9/2003 <i>HK\$Million</i>
Turnover	2	186.3	54.7
Cost of property sales		(99.5)	(3.8)
Property expenses		(16.7)	(16.3)
Gross profit		70.1	34.6
Administrative expenses		(17.0)	(17.3)
Provision for investment securities		(2.3)	(3.9)
Operating profit	3	50.8	13.4
Finance costs		(0.8)	(1.4)
Share of profits of associated companies		36.6	8.3
Profit before taxation		86.6	20.3
Taxation	5	(9.5)	(2.8)
Profit attributable to shareholders		77.1	17.5
Dividends			
Interim, proposed, of HK 4 cents (2003: HK 2 cents) per ordinary share		24.7	12.4
Earnings per share	6	12.5¢	2.8¢

**Consolidated Balance Sheet**

As at 30th September 2004

		(Unaudited) 30/9/2004	(Audited) 31/3/2004
	<i>Note</i>	HK\$Million	HK\$Million
Fixed assets		158.1	157.7
Associated companies		1,436.5	1,490.8
Investment securities		63.2	55.8
Deferred tax assets		12.8	12.8
Mortgage loans receivable		27.3	23.3
Current assets			
Properties for sale		2,704.7	2,739.7
Properties under development		471.9	474.2
Mortgage loans receivable		0.3	0.3
Debtors, deposits and prepayments	7	30.8	58.0
Bank balances and cash		92.5	57.5
		3,300.2	3,329.7
<hr style="border-top: 1px dashed black;"/>			
Current liabilities			
Creditors, deposits and accruals	8	77.4	86.9
Bank loans – secured		50.0	98.9
Bank loans – unsecured		55.0	63.0
Current portion of long term liabilities	9	58.9	42.0
Land premium payable		–	225.0
Taxation payable		3.8	1.1
		245.1	516.9
<hr style="border-top: 1px dashed black;"/>			
Net current assets		3,055.1	2,812.8
<hr/>			
Total assets less current liabilities		4,753.0	4,553.2
<hr/>			
Financed by:			
Share capital		61.7	61.7
Retained profit		2,770.6	2,718.2
Other reserves		1,698.0	1,698.0
Proposed dividend		24.7	18.5
<hr/>			
Shareholders' funds		4,555.0	4,496.4
Long term liabilities	9	196.0	54.9
Deferred tax liabilities		2.0	1.9
<hr/>			
Funds employed		4,753.0	4,553.2
<hr/>			

**Consolidated Statement of Changes in Equity**

For the six months ended 30th September 2004

	(Unaudited)	
	Six Months Ended	
	30/9/2004	30/9/2003
	HK\$Million	HK\$Million
Shareholders' funds at 1st April	4,496.4	4,103.0
Exchange reserve movement	–	(0.3)
Profit attributable to shareholders	77.1	17.5
Dividends	(18.5)	–
Shareholders' funds at 30th September	4,555.0	4,120.2

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30th September 2004

	(Unaudited)	
	Six Months Ended	
	30/9/2004	30/9/2003
	HK\$Million	HK\$Million
Net cash used in operating activities	(118.0)	(7.5)
Net cash from/(used in) investing activities	70.4	(10.3)
Net cash from financing activities	82.6	3.0
Net increase/(decrease) in bank balances and cash	35.0	(14.8)
Bank balances and cash at 1st April	57.5	75.8
Effect of foreign exchange rate changes	–	(0.1)
Bank balances and cash at 30th September	92.5	60.9



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 Institute of Certified Public 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 2004 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 2004.

2. TURNOVER 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 AND SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments

	Six Months Ended 30/9/2004					Group HK\$Million
	Property development HK\$Million	Property leasing HK\$Million	Property management HK\$Million	Hotel operation HK\$Million	Investment holding HK\$Million	
Turnover	135.6	47.5	3.0	–	0.2	186.3
Segment results before provision	9.2	43.0	1.5	–	(0.5)	53.2
Provision for investment securities	–	–	–	–	(2.3)	(2.3)
Segment results	9.2	43.0	1.5	–	(2.8)	50.9
Unallocated costs						(0.1)
Operating profit						50.8
Finance costs						(0.8)
Share of profits of associated companies	0.2	–	–	36.4	–	36.6
Profit before taxation						86.6
Taxation						(9.5)
Profit attributable to shareholders						77.1
	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

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

	Turnover		Operating results	
	Six Months Ended		Six Months Ended	
	30/9/2004	30/9/2003	30/9/2004	30/9/2003
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Hong Kong	100.7	54.5	32.6	16.0
United States of America	85.6	0.2	18.2	(2.6)
	186.3	54.7	50.8	13.4

3. OPERATING PROFIT

	Six Months Ended	
	30/9/2004	30/9/2003
	HK\$Million	HK\$Million
Operating profit is stated after charging the following:		
Auditors' remuneration	0.6	0.5
Depreciation	0.3	0.1
Directors' emoluments		
– fees	0.3	0.1
– salaries, bonuses and other emoluments	2.1	1.4
– provident fund contributions	0.2	0.1
Operating lease rentals – land and buildings	2.7	3.0
Outgoings in respect of		
– investment properties	1.5	1.6
– other properties	1.6	1.7

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	
	30/9/2004	30/9/2003
	HK\$Million	HK\$Million
Salaries and allowances	21.0	20.2
Provident fund contributions less forfeitures	1.3	1.4
Less: Recharge of staff costs to building management funds	(9.2)	(9.8)
	13.1	11.8

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period.

	Six Months Ended	
	30/9/2004 <i>HK\$Million</i>	30/9/2003 <i>HK\$Million</i>
Current taxation		
Hong Kong profits tax	3.1	0.6
Deferred taxation	0.1	(0.1)
Deferred taxation resulting from an increase in tax rate	–	(0.9)
	3.2	(0.4)
Share of taxation attributable to associated companies	6.3	3.2
	9.5	2.8

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$77.1 million (2003: HK\$17.5 million) and ordinary shares in issue of 617,531,425 (2003: 617,531,425).

7. DEBTORS, DEPOSITS AND PREPAYMENTS

	30/9/2004 <i>HK\$Million</i>	31/3/2004 <i>HK\$Million</i>
Debtors, aged		
0-3 months	21.3	45.8
Over 3 months	–	2.1
	21.3	47.9
Deposits and prepayments	9.5	10.1
	30.8	58.0

Credit terms given to customers vary and are generally within three months.

**8. CREDITORS, DEPOSITS AND ACCRUALS**

	30/9/2004 <i>HK\$Million</i>	<i>31/3/2004</i> <i>HK\$Million</i>
Creditors, aged		
0-3 months	5.3	7.6
Over 3 months	2.3	0.5
Deposits and accruals	7.6 69.8	8.1 78.8
	77.4	86.9

9. LONG TERM LIABILITIES

	30/9/2004 <i>HK\$Million</i>	<i>31/3/2004</i> <i>HK\$Million</i>
Secured bank loans		
wholly repayable within five years	254.9	96.9
Less: Current portion of long term liabilities	(58.9)	(42.0)
	196.0	54.9

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

	30/9/2004 <i>HK\$Million</i>	<i>31/3/2004</i> <i>HK\$Million</i>
Secured bank loans		
Within one year	58.9	42.0
In the second year	4.0	54.9
In the third to fifth year	192.0	-
	254.9	96.9

10. COMMITMENTS

	30/9/2004 <i>HK\$Million</i>	<i>31/3/2004</i> <i>HK\$Million</i>
Capital commitment in respect of investment securities	109.6	89.2
Development expenses contracted but not provided for in respect of properties under development	34.2	37.9
	143.8	127.1



Interim Dividend

The Directors declared an interim dividend of HK 4 cents per share, representing an increase of 100% over last year. The said interim dividend is payable on 18th February 2005.

Register of Members

The Register of Members will be closed from 3rd January 2005 to 7th January 2005, 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 31st December 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 2004 amounted to HK\$77.1 million. This represents an increase of 341% over the profit of HK\$17.5 million for the same period in 2003. The improvement in earnings is mainly due to the recovery of the property market and the hotel industry in Hong Kong.

Property Development

San Clemente Technology Park II in California was completed and all units were sold.

The luxury residential project at Chung Hom Kok will be completed during the second half of the financial year. Pre-sales will start before the end of 2004.

The redevelopment of the luxury residential project at Plunkett's Road on the Peak is proceeding as scheduled.

Hotel

The hotel industry has fully recovered from the SARS crisis. With strong economic growth due to CEPA and solo travellers from mainland China, we expect the Sheraton-Hong Kong Hotel, in which your Group has 35% interest, to have strong performance over the next few years.

High-tech Investments

There is a recovery in the U.S. high-tech sector. Some funds that we have invested in have some of their companies preparing for IPOs in the near future.

Prospects

The property market in Hong Kong has recovered significantly over the past twelve months. One of the best performing sectors is the luxury residential, which your Group is concentrating its development efforts on. Another sector which is expected to perform well is the office market due to strong economic growth and tight supply over the next few years. Your Group has also substantial investments in this sector.



Liquidity and Financial Resources

At 30th September 2004, the Group's borrowings net of cash was HK\$267.4 million as compared with HK\$201.3 million at 31st March 2004. 45.5% of the Group's borrowings were payable within one year and 54.5% 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 2004, amounted to HK\$470.1 million. All such banking facilities bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 7.9% at 30th September 2004, compared to 5.8% at 31st March 2004.

Certain properties of the Group with a carrying value of HK\$1,201.1 million (31st March 2004: HK\$966.4 million) have been pledged to banks as security for facilities granted to the extent of HK\$557.0 million (31st March 2004: HK\$377.5 million) against which HK\$304.9 million (31st March 2004: HK\$195.8 million) has been utilised at the balance sheet date.

Human Resources

The Group, excluding associated companies, employs a total of 240 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$22.3 million for the period ended 30th September 2004. 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 2004, 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	108,145,971	-	*61,335,074	-	169,481,045
Ivy Sau Ching Chan	20,132,706	-	-	-	20,132,706
Karl Chi Leung Kwok	221,212	-	-	-	221,212
Wing Sau Li	54,000	-	-	-	54,000

*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 2004, 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 share capital. 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

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 2004.

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, 9th December 2004

As at the date hereof, the Board comprises Mr. David Pun Chan (Chairman), Mr. Wing Sau Li and Mr. William Wai Lim Lam as executive directors, Ms. Ivy Sau Ching Chan as non-executive director and Mr. Karl Chi Leung Kwok, Mr. Benedict Cho Hung Woo and Mr. Joseph Wing Siu Cheung as independent non-executive directors.