



Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)
(Stock Code: 88)

2010-2011 INTERIM REPORT

大昌集團有限公司

(於百慕達註冊成立之有限公司)
(股份代號：88)

2010-2011 年度中期報告



I am pleased to report the unaudited results of the Group for the six months ended 30th September 2010.

Consolidated Profit and Loss Account

For the six months ended 30th September 2010

		(Unaudited)	
		Six Months Ended	
		30/9/2010	30/9/2009
	Note	HK\$Million	HK\$Million
			(As restated)
Revenue	2	853.1	387.7
Cost of sales		(410.3)	(180.1)
Gross profit		442.8	207.6
Other income		1.3	1.0
Administrative expenses		(24.5)	(23.0)
Impairment losses on available-for-sale financial assets		(6.6)	(13.4)
Fair value gains on investment properties		0.9	12.0
Operating profit	3	413.9	184.2
Finance costs		(2.2)	(0.6)
Share of results of associates		48.1	32.5
Profit before income tax		459.8	216.1
Income tax expense	4	(70.5)	(31.3)
Profit attributable to equity holders of the Company		389.3	184.8
Dividends			
Interim, proposed, of HK 11 cents (2009: HK 10 cents) per ordinary share		67.9	61.8
Earnings per share (Basic and Diluted)	5	63.0¢	29.9¢

**Consolidated Statement of Comprehensive Income**

For the six months ended 30th September 2010

	(Unaudited)	
	Six Months Ended	
	30/9/2010	30/9/2009
	HK\$Million	HK\$Million
		(As restated)
Profit for the period	389.3	184.8
Other comprehensive income:		
Fair value gains/(losses) on available-for-sale financial assets	0.6	(14.0)
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	6.6	13.4
Exchange differences	(0.1)	–
Total comprehensive income for the period and attributable to equity holders of the Company	396.4	184.2

**Consolidated Balance Sheet**

As at 30th September 2010

		(Unaudited) 30/9/2010 <i>HK\$Million</i>	(Audited) 31/3/2010 <i>HK\$Million</i> (As restated)
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Non-current assets			
Property, plant and equipment		1.6	1.5
Investment properties		146.4	148.2
Associates		70.8	60.9
Amount due from an associate		16.4	–
Available-for-sale financial assets		99.5	96.1
Mortgage loans receivable		3.6	4.7
		338.3	311.4
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Current assets			
Properties for sale		2,781.9	3,159.7
Properties under development		182.4	181.8
Mortgage loans receivable		0.1	0.2
Debtors, deposits and prepayments	6	490.4	75.3
Amount due from an associate		6.3	22.7
Bank balances and cash		993.6	678.7
		4,454.7	4,118.4
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Current liabilities			
Creditors, deposits and accruals	7	92.0	86.4
Borrowings	8	124.1	124.2
Current income tax liabilities		101.2	34.9
		317.3	245.5
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Net current assets		4,137.4	3,872.9
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Total assets less current liabilities		4,475.7	4,184.3
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Non-current liabilities			
Deferred income tax liabilities		5.2	5.3
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Net assets		4,470.5	4,179.0
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Equity			
Share capital		61.7	61.7
Retained profits		3,988.0	3,666.6
Other reserves		352.9	345.8
Proposed dividend		67.9	104.9
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Total equity		4,470.5	4,179.0
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**Consolidated Statement of Changes in Equity**

For the six months ended 30th September 2010

	(Unaudited)	
	Six Months Ended	
	30/9/2010	30/9/2009
	HK\$Million	HK\$Million
		(As restated)
Total equity at 1st April, as previously reported	3,848.4	3,719.2
Effect of the adoption of amendment to HKAS 17	330.6	309.5
Total equity at 1st April, as restated	4,179.0	4,028.7
Profit for the period	389.3	184.8
Other comprehensive income:		
Fair value gains/(losses) on available-for-sale financial assets	0.6	(14.0)
Impairment losses on available-for-sale financial assets transferred to consolidated profit and loss account	6.6	13.4
Exchange differences	(0.1)	–
Total comprehensive income for the period	396.4	184.2
Transaction with equity holders:		
Dividends	(104.9)	(86.4)
Total equity at 30th September	4,470.5	4,126.5

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30th September 2010

	(Unaudited)	
	Six Months Ended	
	30/9/2010	30/9/2009
	<i>HK\$Million</i>	<i>HK\$Million</i>
Net cash from operating activities	381.9	303.3
Net cash from investing activities	37.9	54.4
Net cash used in financing activities	(104.9)	(74.6)
Net increase in bank balances and cash	314.9	283.1
Bank balances and cash at 1st April	678.7	368.0
Bank balances and cash at 30th September	993.6	651.1



Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

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 2010 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 2010 except for the adoption of certain new or revised standards, amendments, improvements and interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) issued and are mandatory for accounting periods beginning on or after 1st April 2010. The Group has assessed the impact of the adoption of these new or revised standards, amendments, improvements and interpretations and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, except as stated below.

(b) Changes in Accounting Policies

Under HKAS 17 (Amendment), “Leases”, leases of land should be classified as finance lease or operating lease according to whether the lease transfers substantially all the risks and rewards of an asset to the lessee. Previously, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land”, and amortised over the lease term.

HKAS 17 (Amendment) is effective for accounting periods beginning 1st January 2010 and has been applied retrospectively. The Group has reassessed the classification of unexpired leasehold land as at 1st April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) Changes in Accounting Policies (continued)

For the leasehold land reclassified as finance lease and the property interest is held for sale in the ordinary course of business, that land interest is accounted for as inventory under "Properties for sale" and is stated at the lower of cost and net realisable value. Prior to the amendment, the amortisation of the land interest is charged to the consolidated profit and loss account.

The effect of the adoption of amendment to HKAS 17 is as below:

	30/9/2010	31/3/2010
	<i>HK\$Million</i>	<i>HK\$Million</i>
Increase in properties for sale	304.7	330.8
Decrease in deferred income tax assets	(0.2)	(0.2)
Increase in retained profits	304.5	330.6

	Six Months Ended	
	30/9/2010	30/9/2009
	<i>HK\$Million</i>	<i>HK\$Million</i>
Increase/(decrease) in cost of sales	26.2	(11.2)
Decrease in income tax expense	-	(0.7)

The adoption of amendment to HKAS 17 also resulted in an increase in opening retained profits at 1st April 2009 by HK\$309.5 million.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in property investment and development, investment holding and property management. Revenue is also the Group's turnover.

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

	Six Months Ended 30/9/2010				
	Property development and leasing	Property management	Hotel operation	Investment holding	Group
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Revenue	850.1	3.0	-	-	853.1
Segment results before provision	418.2	1.8	-	(0.4)	419.6
Impairment losses on available-for-sale financial assets	-	-	-	(6.6)	(6.6)
Fair value gains on investment properties	0.9	-	-	-	0.9
Operating profit	419.1	1.8	-	(7.0)	413.9
Finance costs	(2.2)	-	-	-	(2.2)
Share of results of associates	(0.2)	-	48.3	-	48.1
Profit before income tax					459.8
Income tax expense	(70.2)	(0.3)	-	-	(70.5)
Profit attributable to equity holders of the Company					389.3

2. REVENUE AND SEGMENT INFORMATION (continued)
(a) Revenue and Profit attributable to equity holders of the Company (continued)

	Six Months Ended 30/9/2009 (As restated)				
	Property development and leasing	Property management	Hotel operation	Investment holding	Group
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Revenue	384.7	3.0	-	-	387.7
Segment results before provision	184.5	1.7	-	(0.6)	185.6
Impairment losses on available-for-sale financial assets	-	-	-	(13.4)	(13.4)
Fair value gains on investment properties	12.0	-	-	-	12.0
Operating profit	196.5	1.7	-	(14.0)	184.2
Finance costs	(0.6)	-	-	-	(0.6)
Share of results of associates	0.2	-	32.3	-	32.5
Profit before income tax					216.1
Income tax expense	(31.0)	(0.3)	-	-	(31.3)
Profit attributable to equity holders of the Company					184.8

(b) Total Assets and Liabilities

	At 30/9/2010				
	Property development and leasing	Property management	Hotel operation	Investment holding	Group
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Segment assets	3,613.0	39.4	-	1,047.1	4,699.5
Associates	21.3	-	77.9	(5.7)	93.5
Total assets					4,793.0
Segment liabilities	285.2	30.5	-	6.8	322.5
Net assets					4,470.5

2. REVENUE AND SEGMENT INFORMATION (continued)

(b) Total Assets and Liabilities (continued)

	At 31/3/2010 (As restated)				
	Property development and leasing	Property management	Hotel operation	Investment holding	Group
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Segment assets	3,570.7	38.6	-	736.9	4,346.2
Associates	21.2	-	67.7	(5.3)	83.6
Total assets					4,429.8
Segment liabilities	206.1	38.6	-	6.1	250.8
Net assets					4,179.0

3. OPERATING PROFIT

	Six Months Ended	
	30/9/2010 <i>HK\$Million</i>	30/9/2009 <i>HK\$Million</i> (As restated)
Operating profit is stated after charging the following:		
Cost of property sales	388.3	161.5
Depreciation	0.2	0.3
Loss on disposal of property, plant and equipment	-	0.1

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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. No overseas tax has been made as the Group had no estimated assessable profit for both periods.

	Six Months Ended	
	30/9/2010	30/9/2009
	<i>HK\$Million</i>	<i>HK\$Million</i>
		(As restated)
Current income tax		
Hong Kong profits tax	70.6	30.9
Deferred income tax	(0.1)	0.4
	70.5	31.3

The Group's share of income tax expense attributable to associates for the six months ended 30th September 2010 of HK\$9.5 million (2009: HK\$6.5 million) is included in the consolidated profit and loss account as share of results of associates.

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$389.3 million (2009: HK\$184.8 million, as restated) and ordinary shares in issue of 617,531,425 (2009: 617,531,425). There were no potential dilutive ordinary shares outstanding during the period (2009: Nil).

6. DEBTORS, DEPOSITS AND PREPAYMENTS

	30/9/2010	31/3/2010
	<i>HK\$Million</i>	<i>HK\$Million</i>
Trade debtors, aged		
0-3 months	311.5	66.4
Over 3 months	168.1	0.4
	479.6	66.8
Deposits and prepayments	10.8	8.5
	490.4	75.3

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

Credit terms given to customers vary and generally range from 3 to 6 months.

6. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

As at 30th September 2010, trade debtors HK\$475.1 million (31st March 2010: HK\$61.1 million) were fully performing.

As at 30th September 2010, no trade debtor was impaired (31st March 2010: Nil). Trade debtors of HK\$4.5 million (31st March 2010: HK\$5.7 million) were considered to be past due but not impaired and aged within 150 days (31st March 2010: 150 days). These relate to debtors with good repayment history and no recent history of default, and the majority are covered by rental deposits.

7. CREDITORS, DEPOSITS AND ACCRUALS

	30/9/2010 <i>HK\$Million</i>	<i>31/3/2010</i> <i>HK\$Million</i>
Creditors, aged		
0-3 months	5.4	1.8
Over 3 months	1.8	1.9
	7.2	3.7
Deposits and accruals	84.8	82.7
	92.0	86.4

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

8. BORROWINGS

	30/9/2010 <i>HK\$Million</i>	<i>31/3/2010</i> <i>HK\$Million</i>
Current		
Bank loans		
– unsecured	34.9	34.9
– secured	89.2	89.3
Total borrowings	124.1	124.2

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are all within 6 months from the balance sheet date.

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of borrowings of HK\$124.1 million (31st March 2010: HK\$124.2 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.8% (31st March 2010: 3.2%) per annum.

Interim Dividend

In view of market uncertainties due to recent Government measures, the Directors declared an interim dividend of HK 11 cents per share, representing an increase of 10% over HK 10 cents paid last year. The said interim dividend is payable on 6th January 2011.

Register of Members

The Register of Members will be closed from 20th December 2010 to 22nd December 2010, 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 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 17th December 2010 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 2010 amounted to HK\$389.3 million, representing an increase of 110% over the profit of HK\$184.8 million for the same period in 2009. The improvement in earnings is mainly due to the buoyant property market here in Hong Kong.

The Group's interest in Sheraton-Hong Kong Hotel is stated at cost less accumulated depreciation on the hotel land and buildings in accordance with the current accounting standards.

In order to fully reflect the underlying economic values 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 its hotel properties at their open market valuations as at 31st March 2010.

	30/9/2010 (Unaudited) <i>HK\$Million</i>	<i>31/3/2010</i> (Unaudited) <i>HK\$Million</i>
Non-current assets, including interests in associates	338.3	311.4
<i>Add:</i> Attributable revaluation surplus relating to hotel properties*	2,013.0	2,003.6
	2,351.3	2,315.0
Current assets	4,454.7	4,118.4
Current liabilities	(317.3)	(245.5)
Net current assets	4,137.4	3,872.9
Total assets less current liabilities	6,488.7	6,187.9
Non-current liabilities	(5.2)	(5.3)
Net assets as if the hotel properties were stated at open market value	6,483.5	6,182.6
Net assets per ordinary share as if the hotel properties were stated at open market value	HK\$10.50	HK\$10.01

* Based on open market valuations as at 31st March 2010.

Property Development

Luxury residential, especially those in the Peak, continue to fetch record prices. We are confident that our residential project at Plunkett's Road will achieve very high return for our shareholders.

Site grading work for the French Valley Airport Center project has already been completed. There are signs that the American economy is improving, especially after QEII by the US Federal Reserve. It is likely that construction work will begin within next year.

Hotel

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which your Group has 35% interest, will continue to have satisfactory performance in the next few years. The results for first half of 2010 is significantly better than first half of 2009.

The hotel management is studying various options to upgrade the shopping mall at the Sheraton in the near future to enhance its competitiveness and income potential.

High-tech Investments

There are signs that the U.S. high-tech sector is recovering as evidenced by the sharp rise in NASDAQ shares since the lows in March 2009. Some funds that we have invested in have realized the value of their companies through sale to large technology and pharmaceutical companies. It is expected that the performance of the funds that we have invested in will improve over the next few years, especially after QEII of the US Federal Reserve.

Prospects

Due to record low interest rates and QEII, the Hong Kong property market remains very buoyant despite Government measures to cool it. Government has announced on 19th November 2010 further measures in order to maintain long term stability of the market.

Your Group has taken advantage of the recent market opportunities to dispose of its non-core assets. We will continue to do so in order to unlock value in our property portfolio for our shareholders. As a result, the Group's financial position has strengthened significantly and we can now undertake projects that are substantially bigger in size and profit potential.

Liquidity and Financial Resources

At 30th September 2010, the Group's cash net of borrowings was HK\$869.5 million as compared with HK\$554.5 million at 31st March 2010. The Group's borrowings were payable within one 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 borrowing facilities available to the Group, but not drawn at 30th September 2010, amounted to HK\$370.2 million. All such banking facilities bear interest at floating rates generally and are subject to periodic review. The gearing ratio was 2.8% at 30th September 2010, compared to 3.0% at 31st March 2010.

Certain properties for sale and properties under development of the Group with carrying values of HK\$541.2 million (31st March 2010: HK\$603.4 million) have been pledged to banks as security for facilities granted to the extent of HK\$189.4 million (31st March 2010: HK\$197.6 million) against which HK\$89.2 million (31st March 2010: HK\$89.3 million) has been utilised at the balance sheet date.

Human Resources

The Group, excluding associates, employs a total of 245 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$25.8 million for the period ended 30th September 2010. 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 2010, 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	118,221,971	-	*61,335,074	-	179,557,045
Ivy Sau Ching Chan	20,132,706	-	-	-	20,132,706
Karl Chi Leung Kwok	221,212	-	-	-	221,212
Wing Sau Li	73,000	-	-	-	73,000

**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 Issuers (the "Model Code").

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

Substantial Shareholders

At 30th September 2010, 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

**Note:* Madam Chan Poon Wai Kuen is the mother of Mr. David Pun Chan.

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 2010.

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 and financial reporting matters including the review of these unaudited interim financial statements.

Compliance with the Code on Corporate Governance Practices

During the period, the Company has complied with the Code on Corporate Governance Practices (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 the 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 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, 25th November 2010

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.