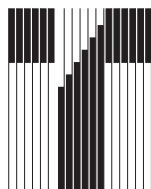


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TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The Board of Directors of Tern Properties Company Limited (the “Company”) announces that the unaudited condensed consolidated financial results for the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016, together with the comparative figures for the corresponding period in the previous year are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	5	52,337	51,898
Property expenses		(996)	(627)
Gross profit		51,341	51,271
Realised gain on disposal of financial assets held for trading		–	2,257
Realised gain on disposal of available-for-sale investments		1,641	1,120
Dividend income		697	434
Interest income		11,301	9,851
Other operating income		3,153	348
Decrease in fair value of investment properties		–	(56,600)
Administrative expenses		(14,557)	(14,071)
Profit (loss) from operations	6	53,576	(5,390)
Finance costs	7	(382)	(923)
Share of results of associates, net of tax	13	4,178	7,300

		Six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit before taxation		57,372	987
Taxation	8	<u>(7,750)</u>	<u>(7,318)</u>
Profit (loss) for the period attributable to owners of the Company		<u>49,622</u>	<u>(6,331)</u>
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss			
Net gain (loss) arising on revaluation of available-for-sale investments		9,586	(1,395)
Release of investment revaluation reserve upon disposal of available-for-sale investments		<u>(709)</u>	<u>–</u>
Other comprehensive income (expense), net of tax		<u>8,877</u>	<u>(1,395)</u>
Total comprehensive income (expense) for the period attributable to owners of the Company		<u>58,499</u>	<u>(7,726)</u>
Earnings (loss) per share			
Basic and diluted	10	<u>HK 16.12 cents</u>	<u>HK (2.06) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets			
Investment properties	11	3,057,213	3,057,213
Property, plant and equipment	12	9,168	10,241
Leasehold land		15,060	15,106
Interests in associates	13	385,878	386,272
Available-for-sale investments	14	396,440	217,590
Deferred rental income		365	541
		<u>3,864,124</u>	<u>3,686,963</u>
Current assets			
Trade and other receivables	15	10,915	8,001
Leasehold land – current portion		92	92
Deferred rental income – current portion		815	935
Tax recoverable		559	993
Pledged bank deposits		5,361	2,143
Bank balances and cash		14,254	45,750
		<u>31,996</u>	<u>57,914</u>
Current liabilities			
Trade and other payables	16	8,012	7,274
Rental deposits from tenants		28,878	29,452
Tax liabilities		10,945	3,859
Secured bank loans – due within one year	17	95,000	–
		<u>142,835</u>	<u>40,585</u>
Net current (liabilities) assets		<u>(110,839)</u>	<u>17,329</u>
Total assets less current liabilities		<u>3,753,285</u>	<u>3,704,292</u>
Non-current liability			
Deferred tax liabilities		24,317	23,975
Net assets		<u>3,728,968</u>	<u>3,680,317</u>
Capital and reserves			
Share capital	18	229,386	229,386
Reserves		3,499,582	3,450,931
Total equity		<u>3,728,968</u>	<u>3,680,317</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016 (Audited)	<u>229,386</u>	<u>7,075</u>	<u>9,848</u>	<u>3,434,008</u>	<u>3,680,317</u>
Profit for the period	-	-	-	49,622	49,622
Other comprehensive income:					
Net gain arising on revaluation of available-for-sale investments	-	9,586	-	-	9,586
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	(709)	-	-	(709)
Total comprehensive income for the period	<u>-</u>	<u>8,877</u>	<u>-</u>	<u>49,622</u>	<u>58,499</u>
Dividends declared (<i>note 9</i>)	-	-	6,771	(6,771)	-
Dividends paid	-	-	(9,848)	-	(9,848)
At 30 September 2016 (Unaudited)	<u>229,386</u>	<u>15,952</u>	<u>6,771</u>	<u>3,476,859</u>	<u>3,728,968</u>
At 1 April 2015 (Audited)	<u>229,386</u>	<u>-</u>	<u>13,849</u>	<u>3,508,699</u>	<u>3,751,934</u>
Loss for the period	-	-	-	(6,331)	(6,331)
Other comprehensive expense:					
Net loss arising on revaluation of available-for-sale investments	-	(1,395)	-	-	(1,395)
Total comprehensive expense for the period	<u>-</u>	<u>(1,395)</u>	<u>-</u>	<u>(6,331)</u>	<u>(7,726)</u>
Dividends declared (<i>note 9</i>)	-	-	6,771	(6,771)	-
Dividends paid	-	-	(13,849)	-	(13,849)
At 30 September 2015 (Unaudited)	<u>229,386</u>	<u>(1,395)</u>	<u>6,771</u>	<u>3,495,597</u>	<u>3,730,359</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	41,083	32,514
Profits Tax paid	(18)	(684)
Profits Tax refunded	131	–
	<hr/>	<hr/>
Net cash generated from operating activities	41,196	31,830
	<hr/>	<hr/>
Investing activities		
Interest received	9,013	11,451
Dividend received from investments	697	434
Repayment from an associate	–	3,750
Purchase of financial assets held for trading	–	(248,263)
Proceeds from disposal of financial assets held for trading	–	338,705
Purchase of available-for-sale investments	(204,817)	–
Proceeds from disposal of available-for-sale investments	36,487	2,520
Purchase of property, plant and equipment	(196)	(2,688)
Proceeds from disposal of property, plant and equipment	–	120
Placement of pledged bank deposits	(3,218)	–
	<hr/>	<hr/>
Net cash (used in) generated from investing activities	(162,034)	106,029
	<hr/>	<hr/>
Financing activities		
Dividends paid	(9,848)	(16,088)
Interest paid	(382)	(968)
New bank loans raised	310,000	20,000
Repayment of bank loans	(215,000)	(161,000)
Advance from associates	4,572	–
	<hr/>	<hr/>
Net cash generated from (used in) financing activities	89,342	(158,056)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(31,496)	(20,197)
Cash and cash equivalents at beginning of the period	45,750	46,087
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
Represented by bank balances and cash	14,254	25,890
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is 26th Floor, Tern Centre, Tower I, 237 Queen’s Road Central, Hong Kong.

The Company continues to act as an investment holding company. Its subsidiaries (together with the Company are collectively referred to as the “Group”) and associates are principally engaged in property investment.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”), “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The condensed consolidated interim financial statements for the six months ended 30 September 2016 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 March 2016.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

The financial information relating to the year ended 31 March 2016 that is included in the Interim Report 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entitles: Applying the Consolidation Exception
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above new amendments to HKFRSs has had no material impact on the condensed consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments: Hedge Accounting and Impairment ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15 (Revised)	Clarification to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective date yet to be determined.

The directors of the Company is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position of the Group.

4. OPERATING SEGMENTS

For management purposes, the Group is currently organised into two operating segments, namely property investment and treasury investment.

For property investment, the segment represents the operations of property investment and property leasing. Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rentals (including gross rent and property expenses) and share of profit from associates. The individual properties with similar economic characteristics are aggregated into segments for presentation purposes.

For treasury investment, the segment represents the investment in debt and equity securities. Financial information is provided to the Board on a company by company basis. The information provided includes realised gain on disposal of available-for-sale investments, dividend income from equity securities and interest income from debt securities.

Business information

For the six months ended 30 September 2016

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	52,337	–	52,337
Property expenses	(996)	–	(996)
Gross profit	51,341	–	51,341
Realised gain on disposal of available-for-sale investments	280	1,361	1,641
Dividend income	–	697	697
Interest income	–	11,301	11,301
Other operating income	2,558	595	3,153
Administrative expenses	(14,231)	(326)	(14,557)
Profit from operations	39,948	13,628	53,576
Finance costs	(42)	(340)	(382)
Share of results of associates, net of tax	4,178	–	4,178
Profit before taxation	44,084	13,288	57,372
Taxation	(6,052)	(1,698)	(7,750)
Profit for the period	<u>38,032</u>	<u>11,590</u>	<u>49,622</u>

At 30 September 2016

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	3,485,145	410,975	3,896,120
Segment liabilities	(68,823)	(98,329)	(167,152)
Net assets	<u>3,416,322</u>	<u>312,646</u>	<u>3,728,968</u>
Other segment information:			
Depreciation and amortisation	1,315	–	1,315
Addition to property, plant and equipment	196	–	196

For the six months ended 30 September 2015

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	51,898	–	51,898
Property expenses	(627)	–	(627)
Gross profit	51,271	–	51,271
Realised gain on disposal of financial assets held for trading	–	2,257	2,257
Realised gain on disposal of available- for-sale investments	1,120	–	1,120
Dividend income	–	434	434
Interest income	1	9,850	9,851
Other operating income	329	19	348
Decrease in fair value of investment properties	(56,600)	–	(56,600)
Administrative expenses	(13,514)	(557)	(14,071)
(Loss) profit from operations	(17,393)	12,003	(5,390)
Finance costs	(813)	(110)	(923)
Share of results of associates, net of tax	7,300	–	7,300
(Loss) profit before taxation	(10,906)	11,893	987
Taxation	(7,247)	(71)	(7,318)
(Loss) profit for the period	<u>(18,153)</u>	<u>11,822</u>	<u>(6,331)</u>

At 30 September 2015

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	3,592,657	205,954	3,798,611
Segment liabilities	(68,181)	(71)	(68,252)
Net assets	<u>3,524,476</u>	<u>205,883</u>	<u>3,730,359</u>
Other segment information:			
Depreciation and amortisation	1,296	–	1,296
Addition to property, plant and equipment	<u>2,688</u>	<u>–</u>	<u>2,688</u>

Geographical information

Over 90% of the activities of the Group during the period were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

Information on major customers

Included in revenues arising from rental income of approximately HK\$52.3 million (2015: approximately HK\$51.9 million) are rental income of approximately HK\$10.1 million (2015: approximately HK\$10.9 million) which arose from the Group's largest tenant.

5. REVENUE

Revenue represents the aggregate of amounts received and receivable from property rental income.

6. PROFIT (LOSS) FROM OPERATIONS

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) from operations has been arrived at after charging:		
Auditor's remuneration	216	230
Depreciation of property, plant and equipment	1,269	1,250
Amortisation of leasehold land	46	46
Staff costs (including directors' emoluments)	9,678	8,416
Mandatory provident fund ("MPF") contributions	122	103
Total staff costs	9,800	8,519
and after crediting:		
Dividend income	697	434
Exchange gain	1,153	638
Realised gain on disposal of financial assets held for trading	–	2,257
Realised gain on disposal of available-for-sale investments	1,641	1,120
Gross rental income from investment properties	52,337	51,898
Less:		
Direct operating expenses from investment properties that generated rental income	(859)	(465)
Direct operating expenses from investment properties that did not generate rental income	(137)	(162)
Net rental income	51,341	51,271

7. FINANCE COSTS

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	382	923
	<u>382</u>	<u>923</u>

8. TAXATION

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	7,496	5,440
(Over) under-provision in prior periods	(103)	901
Other jurisdiction		
Under-provision in prior periods	14	–
	<u>7,407</u>	<u>6,341</u>
Deferred tax		
Current period	694	977
Over-provision in prior periods	(351)	–
	<u>343</u>	<u>977</u>
	<u>7,750</u>	<u>7,318</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

9. DIVIDENDS

On 25 August 2016, the final dividend of HK3.2 cents (2015: HK4.5 cents) per share were paid to the shareholders for the financial year ended 31 March 2016.

For the six months ended 30 September 2016, the Board of Directors has declared an interim dividend of HK2.2 cents (2015: an interim dividend of HK2.2 cents) per share amounting to approximately HK\$6,771,000 (2015: approximately HK\$6,771,000) payable to the shareholders of the Company.

10. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on the profit for the period attributable to owners of the Company of HK\$49,622,000 (2015: loss for the period of HK\$6,331,000) and on the weighted average number of 307,758,522 (2015: 307,758,522) ordinary shares in issue during the period.

Diluted earnings (loss) per share are the same as basic earnings (loss) per share for both periods, as the Company had no dilutive potential ordinary shares outstanding in both periods.

11. INVESTMENT PROPERTIES

The Group's investment properties were not revalued at 30 September 2016. The directors were aware of the possible changes in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from that which had been determined using fair values at 31 March 2016.

During the period, the Group neither acquired nor disposed any investment properties.

12. PROPERTY, PLANT AND EQUIPMENT

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Carrying amounts at beginning of the period/year	10,241	8,395
Addition	196	4,361
Depreciation for the period/year	<u>(1,269)</u>	<u>(2,515)</u>
Carrying amounts at end of the period/year	<u>9,168</u>	<u>10,241</u>

13. INTERESTS IN ASSOCIATES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Share of net assets	394,976	390,798
Amounts due from an associate	1,669	–
Amounts due to associates	(10,767)	(4,526)
	<u>385,878</u>	<u>386,272</u>

The amounts due from (to) associates are unsecured, interest-free and have no fixed repayment terms.

Summarised financial information in respect of the Group's material associates is set out below:

Financial position as at 30 September 2016

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Current assets	31,382	17,129
Non-current assets	784,311	787,521
Current liabilities	(13,121)	(10,581)
Non-current liabilities	(12,619)	(12,473)
Net assets	<u>789,953</u>	<u>781,596</u>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	<u>394,976</u>	<u>390,798</u>

Profit or loss and other comprehensive income for the six months ended 30 September 2016

	Six months ended 30 September 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	<u>15,401</u>	<u>14,378</u>
Profit for the period	8,356	14,600
Other comprehensive income	–	–
Profit and total comprehensive income for the period	<u>8,356</u>	<u>14,600</u>
Share of results of associates comprises:		
Share of profits of associates	5,002	8,035
Share of taxation of associates	(824)	(735)
	<u>4,178</u>	<u>7,300</u>

14. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Listed investments:		
Debt securities, at fair value (<i>note a</i>)	359,823	208,748
Equity securities, at fair value (<i>note a</i>)	<u>36,462</u>	<u>8,081</u>
	396,285	216,829
Unlisted investments:		
Club debentures, stated at cost (<i>note b</i>)	<u>155</u>	<u>761</u>
	<u>396,440</u>	<u>217,590</u>

Notes: (a) The fair value of the listed debt and equity securities are based on quoted market bid price in an active market.

(b) The club debentures do not have a quoted market price in an active market and their fair values cannot be reliably measured.

15. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables were rental receivables of approximately HK\$454,000 (31 March 2016: approximately HK\$176,000) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants. The aging of rental receivables based on invoice date is as below:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within 30 days	314	176
31 – 60 days	<u>140</u>	<u>–</u>
	<u>454</u>	<u>176</u>

16. TRADE AND OTHER PAYABLES

Included in trade and other payables was prepaid rental from tenants of approximately HK\$4,838,000 (31 March 2016: approximately HK\$4,019,000). The following is an aging analysis of prepaid rental from tenants:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within 30 days	4,592	3,469
31 – 60 days	150	550
61 – 90	32	–
Over 90 days	64	–
	<u>4,838</u>	<u>4,019</u>

17. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Amount classified under current liabilities	<u>95,000</u>	<u>–</u>

Bank loans were denominated in Hong Kong dollars with variable interest rate from 1.2% to 1.5% over HIBOR per annum (31 March 2016: from 1.45% to 2.25% over HIBOR per annum).

18. SHARE CAPITAL

	30 September 2016		31 March 2016	
	Number of ordinary shares (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of ordinary shares (Audited)	Nominal value HK\$'000 (Audited)
Issued and fully paid	<u>307,758,522</u>	<u>229,386</u>	<u>307,758,522</u>	<u>229,386</u>

There were no movements in the share capital of the Company for the six months ended 30 September 2016. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the period.

19. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant related party transactions:

			Six months ended 30 September	
	Note	Name of related party	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Management fee income	(i)	Win Easy Development Limited	1,553	–
	(i)	Home Easy Limited	116	–
Office rental income	(i)	Win Easy Development Limited	–	327
			<u> </u>	<u> </u>

Note:

- (i) The related parties are the associates of the Company.

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries and other short-term benefits	4,620	4,444
MPF contributions	9	9
	<u> </u>	<u> </u>
	<u>4,629</u>	<u>4,453</u>

20. PLEDGE OF ASSETS

At the end of the reporting period, the Group's total banking facilities amounted to HK\$515,500,000 (31 March 2016: HK\$110,000,000). The Group has utilised banking facilities with an amount of HK\$95,000,000 (31 March 2016: Nil).

The following assets were pledged to secure the banking facilities granted to the Group:

- i) Investment properties with an aggregate carrying amounts of HK\$838,400,000 (31 March 2016: approximately HK\$422,900,000);
- ii) Available-for-sale investments with a carrying amounts of approximately HK\$375,875,000 (31 March 2016: approximately HK\$189,484,000); and
- iii) Bank deposit with a carrying amounts of approximately HK\$5,361,000 (31 March 2016: approximately HK\$2,143,000).

21. CONTINGENT LIABILITIES

The Company has provided guarantee for an associate to secure a revolving loan of HK\$50,000,000 (31 March 2016: HK\$50,000,000). At the end of the reporting period, the associate has not utilised the banking facility.

The Group has not recognised any deferred income or expense in respect of the guarantees as their fair values and transaction prices cannot be reliably measured.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	1,080	570
In the second to fifth year inclusive	<u>810</u>	<u>–</u>
	<u>1,890</u>	<u>570</u>

Operating lease payments represent rental payables by the Group for a director's quarter. The lease is fixed for two years (31 March 2016: two years).

The Group as lessor

The investment properties of the Group generated rental yields of approximately 3.42% (31 March 2016: 3.43%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (31 March 2016: four years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	77,520	80,272
In the second to fifth year inclusive	<u>42,483</u>	<u>29,834</u>
	<u>120,003</u>	<u>110,106</u>

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

The Group's available-for-sale investments are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 30 September 2016 HK\$'000 (Unaudited)	Fair value as at 31 March 2016 HK\$'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale investments				
– Listed debt securities	359,823	208,748	Level 1	Quoted bid prices in active markets
– Listed equity securities	36,462	8,081	Level 1	
Total	<u>396,285</u>	<u>216,829</u>		

During the six months ended 30 September 2016, there were no transfers between instrument in Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2016: Nil).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.2 cents per share for the six months ended 30 September 2016. The interim dividend will be paid on or about Monday, 12 December 2016 to shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 7 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 5 December 2016 to Wednesday, 7 December 2016, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 December 2016.

FINANCIAL HIGHLIGHTS

The Group continued to hold quality commercial properties for rental income and invest in debt and equity securities for interest and dividend income during the period.

In thousands of Hong Kong dollars except per share amounts

		Six months ended	
		30 September	
		2016	2015
For the period	Revenue	52,337	51,898
	Profit (loss) for the period attributable to owners of the Company	49,622	(6,331)
As at 30 September	Capital & reserves attributable to owners of the Company	3,728,968	3,730,359
	Shares in issue (thousands)	307,759	307,759
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	2.66%	2.70%
	Gearing	2.55%	0.0%
Per Share	Net worth per share (HK\$)	12.12	12.12
	Basic earnings (loss) per share (HK cents)	16.12	(2.06)
	Interim dividend declared per share (HK cents)	2.2	2.2

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the period was remained stable at HK\$52.3 million as compared with prior period (2015: HK\$51.9 million).

The profit attributable to the owners of the Company for the period was HK\$49.6 million.

The increase in the profit attributable to the owners of the Company was primary due to:

- no fair value loss from the Group's Hong Kong property portfolio during the period; and
- higher interest income derived from Group's investment in debt securities.

Earnings (loss) per share

Earnings (loss) per share amounted to HK16.12 cents (2015: loss of HK2.06 cents).

Financial Resources, Liquidity and Capital Structure

The Group is principally financed by cash inflow from operating activities and banking facilities granted by the banks. The banking facilities of the Group are reviewed from time to time and new banking facilities will be obtained or renewed to meet the funding requirements for capital commitments, investments and operations of the Group.

At 30 September 2016, the Group's net borrowings amounted to HK\$75.4 million (31 March 2016: no bank borrowing) represent bank borrowings of HK\$95.0 million less bank deposits, bank balances and cash of HK\$19.6 million. Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 2.6% (31 March 2016: Nil).

At 30 September 2016, the Group's banking facilities amounting to HK\$515.5 million (31 March 2016: HK\$110.0 million) were fully secured by its investment properties, available for sale investments and bank deposits with an aggregate carrying value amounting to HK\$1,220.0 million (31 March 2016: HK\$614.5 million).

	At 30 September 2016 <i>HK\$'000</i>	At 31 March 2016 <i>HK\$'000</i>
Bank loans are repayable as follows:		
On demand or within one year	95,000	–
More than one year but not exceeding two years	–	–
More than two years but not exceeding five years	–	–
	<u>95,000</u>	<u>–</u>

At 30 September 2016, the current ratio (current assets/current liabilities) of the Group was 0.22 times (31 March 2016: 1.43 times).

Segment information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 4 to the condensed consolidated financial statements on pages 7 to 9.

Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

Pledge of Assets

Details regarding the pledge of assets are set out in note 20 to the condensed consolidated financial statements on page 16.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 21 to the condensed consolidated financial statements on page 17.

Shareholders' Funds

At 30 September 2016, the Group's shareholders' funds amounted to HK\$3,729.0 million (31 March 2016: HK\$3,680.3 million), an increase of HK\$48.7 million from the previous year end. The net asset value per share was HK\$12.12 (31 March 2016: HK\$12.12).

At 30 September 2016, the Group had no significant exposure to foreign exchange rate fluctuations.

OPERATION REVIEW

Property Investment Operation

- The Group's gross rental income was flat compared to prior period.
- The rental income from retail shops.
- The rental income from office properties.
- The occupancy rate for the period is 96.4%, a slight increase of 0.1% as compared with last period of 96.3%.
- No fair value loss in the investment properties was reported during the period, while a fair value loss of HK\$56.6 million was recorded in last prior period.
- The Group's share of gross rental income from associates remained stable at an amount of HK\$7.7 million.

Treasury investment operation

- Interest income and dividend income derived from the Group investment in debt and equity securities amounted to HK\$12.0 million, a 16.7% increase compared to prior period.
- At 30 September 2016, the Group held debt and equity securities investments of HK\$396.3 million, a 82.8% increase as compared with year ended at 31 March 2016.

Employees

At 30 September 2016, the total number of staff of the Group was 16 (2015: 16). The total staff costs including Directors' emoluments amounted to HK\$9.8 million (2015: HK\$8.5 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

Geopolitical tension in Europe and Middle East, unclear time and pace for interest rate hikes by the U.S. Federal Reserve and the referendum results of the UK leaving the European Union will continue to impose uncertainties on the global economy and politics. Hong Kong economy is likely to suffer from the weak demand as Hong Kong is close to Mainland China and the domestic economy is stabilizing with slowdown in its growth.

The number of tourists visiting Hong Kong has not yet been recovered; retail sales dropped; rentals of commercial shops continued to decline. It is predicted that the property market in Hong Kong would remain challenging in the second half of 2016. It is expected that the rental income and net rental income recorded by the Group in the financial year of 2016/17 would decrease as compared to the financial year of 2015/16.

The Group will keep alert on the changes in the local and global markets and adopt a prudent approach in countering any difficulties that may arise from the above uncertainties. The Board will continue to capitalise on every opportunity to expand the investment portfolio of the Group by leveraging on its sound financial position to benefit the Group and its shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2016.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 30 September 2016. The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this announcement, the public float of the Company is approximately 23.44%.

The Company is considering various options to restore its public float. As at the date of this announcement, no concrete proposals for the restoration of public float or timetable have been determined. The Company will make further announcement when the proposal to restore its public float has been finalized.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2016 and the 2016/2017 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2016, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "GC Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the following deviation:

Provision A.2.1 of the GC Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Hoi Sow is the Chairman of the Board and Managing Director of the Company. Mr. Chan has been performing the duties of both the chairman and the chief executive since the establishment of the Company. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. As three of the Board members comprise Independent Non-Executive Directors who are professional accountant, engineer and manager respectively, the balance of power and authority between the Board and the management will not be compromised.

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") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2016.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of Directors subsequent to the date of the Annual Report 2016.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 16 November 2016

As at the date of this announcement, the Board comprises six Directors, of which two are Executive Directors, namely Mr. Chan Hoi Sow and Mr. Chan Yan Tin, Andrew, one is Non-Executive Director, namely Ms. Chan Yan Mei, Mary-ellen and three are Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald.