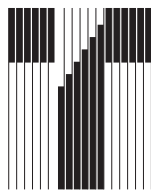


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TERN PROPERTIES COMPANY LIMITED

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 2017

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 2017, together with the comparative figures for the corresponding period in the year 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	41,043	52,337
Property expenses		(518)	(996)
Gross profit		40,525	51,341
Interest income		21,073	11,301
Realised gain on disposal of available-for-sale financial assets		5,214	1,641
Dividend income		1,637	697
Other operating income		1,756	3,153
Administrative expenses		(16,162)	(14,557)
Profit from operations	5	54,043	53,576
Finance costs	6	(1,860)	(382)
Share of results of associates, net of tax	12	3,386	4,178

Six months ended 30 September

	<i>Notes</i>	2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit before taxation		55,569	57,372
Taxation	7	<u>(6,525)</u>	<u>(7,750)</u>
Profit for the period attributable to owners of the Company		<u>49,044</u>	<u>49,622</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net gain arising on revaluation of available-for-sale financial assets		13,312	9,586
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		<u>(4,794)</u>	<u>(709)</u>
Other comprehensive income for the period, net of tax		<u>8,518</u>	<u>8,877</u>
Total comprehensive income for the period attributable to owners of the Company		<u>57,562</u>	<u>58,499</u>
Earnings per share Basic and diluted	9	<u>HK15.94 cents</u>	<u>HK16.12 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	<i>Notes</i>	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current assets			
Investment properties	<i>10</i>	2,954,979	2,954,578
Property, plant and equipment	<i>11</i>	6,902	8,213
Leasehold land		14,968	15,014
Interests in associates	<i>12</i>	367,330	368,374
Available-for-sale financial assets	<i>13</i>	589,015	512,320
Deferred rental income		81	165
Deferred tax assets		–	279
		3,933,275	3,858,943
Current assets			
Trade and other receivables	<i>14</i>	17,534	14,833
Available-for-sale financial assets redeemable within one year	<i>13</i>	71,587	10,269
Leasehold land – current portion		92	92
Deferred rental income – current portion		493	635
Tax recoverable		295	2,282
Pledged bank deposits		491	2,729
Bank balances and cash		68,708	33,842
		159,200	64,682
Current liabilities			
Other payables and receipts in advance		8,659	10,681
Rental deposits from tenants		26,903	28,106
Tax liabilities		7,827	5,148
Secured bank borrowings – due within one year	<i>15</i>	57,299	28,037
		100,688	71,972
Net current assets (liabilities)		58,512	(7,290)
Total assets less current liabilities		3,991,787	3,851,653
Non-current liabilities			
Deferred tax liabilities		25,719	25,033
Secured bank borrowings – due after one year	<i>15</i>	273,697	181,963
		299,416	206,996
Net assets		3,692,371	3,644,657
Capital and reserves			
Share capital	<i>16</i>	229,386	229,386
Reserves		3,462,985	3,415,271
Total equity		3,692,371	3,644,657

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	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 2017 (Audited)	229,386	17,346	9,848	3,388,077	3,644,657
Profit for the period	–	–	–	49,044	49,044
Other comprehensive income:					
Net gain arising on revaluation of available-for-sale financial assets	–	13,312	–	–	13,312
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(4,794)	–	–	(4,794)
Total comprehensive income for the period	–	8,518	–	49,044	57,562
Dividends declared (<i>note 8</i>)	–	–	6,771	(6,771)	–
Dividends paid	–	–	(9,848)	–	(9,848)
At 30 September 2017 (Unaudited)	229,386	25,864	6,771	3,430,350	3,692,371
At 1 April 2016 (Audited)	229,386	7,075	9,848	3,434,008	3,680,317
Profit for the period	–	–	–	49,622	49,622
Other comprehensive income:					
Net gain arising on revaluation of available-for-sale financial assets	–	9,586	–	–	9,586
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(709)	–	–	(709)
Total comprehensive income for the period	–	8,877	–	49,622	58,499
Dividends declared (<i>note 8</i>)	–	–	6,771	(6,771)	–
Dividends paid	–	–	(9,848)	–	(9,848)
At 30 September 2016 (Unaudited)	229,386	15,952	6,771	3,476,859	3,728,968

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	25,480	41,083
Profits Tax paid	(948)	(18)
Profits Tax refunded	–	131
	<hr/>	<hr/>
Net cash generated from operating activities	24,532	41,196
	<hr/>	<hr/>
Investing activities		
Interest received	17,456	9,013
Dividend received from investments	1,637	697
Purchase of available-for-sale financial assets	(143,658)	(204,817)
Proceeds from disposal of available-for-sale financial assets	20,397	36,487
Purchase of property, plant and equipment	(5)	(196)
Release (placement) of pledged bank deposits	2,238	(3,218)
	<hr/>	<hr/>
Net cash used in investing activities	(101,935)	(162,034)
	<hr/>	<hr/>
Financing activities		
Dividends paid	(9,848)	(9,848)
Interest paid	(3,309)	(382)
New bank loans raised	505,000	310,000
Repayment of bank loans	(384,004)	(215,000)
Advance from associates	4,430	4,572
	<hr/>	<hr/>
Net cash generated from financing activities	112,269	89,342
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	34,866	(31,496)
Cash and cash equivalents at beginning of the period	33,842	45,750
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
Represented by bank balances and cash	68,708	14,254
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 addresses of the registered office and principal place of business 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 and associates are principally engaged in property investment.

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

The condensed consolidated financial statements for the six months ended 30 September 2017 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 financial information relating to the year ended 31 March 2017 that is included in the interim results for the six months ended 30 September 2017 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 is as follows:

The Company had delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements of the Group. 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.

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 financial statements for the six months ended 30 September 2017 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 2017.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

The preparation of the condensed consolidated financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires the management to exercise the judgement in the process of applying the accounting policies of the Group.

The condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2. 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in Annual Improvement to HKFRSs 2014-2016 Cycle

The application of the above new amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in the condensed consolidated financial statements and/or on the disclosures set out in these 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 ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Investment property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date 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.

3. 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 rental income (including gross rental income and property expenses) and share of results of 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 financial assets, dividend income from equity securities and interest income from debt securities.

Business information

For the six months ended 30 September 2017

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	41,043	–	41,043
Property expenses	(518)	–	(518)
Gross profit	40,525	–	40,525
Interest income	1	21,072	21,073
Realised gain on disposal of available-for-sale financial assets	–	5,214	5,214
Dividend income	–	1,637	1,637
Other operating income	1,685	71	1,756
Administrative expenses	(13,546)	(2,616)	(16,162)
Profit from operations	28,665	25,378	54,043
Finance costs	–	(1,860)	(1,860)
Share of results of associates, net of tax	3,386	–	3,386
Profit before taxation	32,051	23,518	55,569
Taxation	(4,395)	(2,130)	(6,525)
Profit for the period	<u>27,656</u>	<u>21,388</u>	<u>49,044</u>

At 30 September 2017

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	3,410,048	682,427	4,092,475
Segment liabilities	(64,170)	(335,934)	(400,104)
Net assets	<u>3,345,878</u>	<u>346,493</u>	<u>3,692,371</u>
Other segment information:			
Depreciation and amortisation	1,362	–	1,362
Addition to property, plant and equipment	<u>5</u>	<u>–</u>	<u>5</u>

For the six months ended 30 September 2016

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	52,337	–	52,337
Property expenses	(996)	–	(996)
Gross profit	51,341	–	51,341
Interest income	–	11,301	11,301
Realised gain on disposal of available-for-sale financial assets	280	1,361	1,641
Dividend income	–	697	697
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 31 March 2017

	Property investment HK\$'000 (Audited)	Treasury investment HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	3,386,105	537,520	3,923,625
Segment liabilities	(64,983)	(213,985)	(278,968)
Net assets	<u>3,321,122</u>	<u>323,535</u>	<u>3,644,657</u>

Other segment information:

Depreciation and amortisation	2,663	–	2,663
Addition to property, plant and equipment	<u>543</u>	<u>–</u>	<u>543</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 are 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\$41.0 million (six months ended 30 September 2016: approximately HK\$52.3 million) are rental income of approximately HK\$4.1 million (six months ended 30 September 2016: approximately HK\$10.1 million) which arose from the Group's largest tenant.

4. REVENUE

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

5. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:		
Auditor's remuneration	230	216
Depreciation of property, plant and equipment	1,316	1,269
Amortisation of leasehold land	46	46
Exchange loss, net	219	–
Staff costs (including directors' emoluments)	10,482	9,678
Mandatory provident fund ("MPF") contributions	128	122
Total staff costs	10,610	9,800
and after crediting:		
Dividend income	1,637	697
Exchange gain, net	–	1,153
Realised gain on disposal of available-for-sale financial assets	5,214	1,641
Gross rental income from investment properties	41,043	52,337
Less:		
Direct operating expenses from investment properties that generated rental income	(198)	(859)
Direct operating expenses from investment properties that did not generate rental income	(320)	(137)
Net rental income	40,525	51,341

6. FINANCE COSTS

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,860	382

7. TAXATION

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	5,560	7,496
Over-provision in prior periods	–	(103)
Other jurisdiction		
Under-provision in prior periods	–	14
	5,560	7,407
Deferred taxation		
Current period	965	694
Over-provision in prior periods	–	(351)
	965	343
	6,525	7,750

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 16.5%) of the estimated assessable profits for the period.

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

8. DIVIDENDS

On 25 August 2017, the final dividend of HK3.2 cents per share were paid to the shareholders for the financial year ended 31 March 2017.

For the six months ended 30 September 2017, the Board of Directors has declared an interim dividend of HK2.2 cents (six months ended 30 September 2016: HK2.2 cents) per share amounting to approximately HK\$6,771,000 (six months ended 30 September 2016: approximately HK\$6,771,000) payable to the shareholders of the Company.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to owners of the Company of HK\$49,044,000 (six months ended 30 September 2016: HK\$49,622,000) and on number of 307,758,522 (six months ended 30 September 2016: 307,758,522) ordinary shares in issue during the period.

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

10. INVESTMENT PROPERTIES

The Group's investment properties were not revalued at 30 September 2017. The directors were aware of the possible changes in the conditions of the property market. The directors considered that the carrying amounts of the Group's investment properties did not differ significantly from that which had been determined using fair values at 31 March 2017.

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

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Carrying amounts at beginning of the period/year	8,213	10,241
Additions	5	543
Depreciation charge for the period/year	<u>(1,316)</u>	<u>(2,571)</u>
Carrying amounts at end of the period/year	<u>6,902</u>	<u>8,213</u>

12. INTERESTS IN ASSOCIATES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Share of net assets	376,468	373,082
Amounts due to associates	<u>(9,138)</u>	<u>(4,708)</u>
	<u>367,330</u>	<u>368,374</u>

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

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

Financial position as at 30 September 2017

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Current assets	12,951	15,698
Non-current assets	764,013	755,282
Current liabilities	(10,665)	(11,603)
Non-current liabilities	<u>(13,364)</u>	<u>(13,213)</u>
Net assets	<u>752,935</u>	<u>746,164</u>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	<u>376,468</u>	<u>373,082</u>

Profit or loss and other comprehensive income

	Six months ended 30 September	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Revenue	<u>13,634</u>	<u>15,401</u>
Profit for the period	6,771	8,356
Other comprehensive income	–	–
Profit and total comprehensive income for the period	<u>6,771</u>	<u>8,356</u>
Share of results of associates comprises:		
Share of profits of associates	4,072	5,002
Share of taxation of associates	(686)	(824)
	<u>3,386</u>	<u>4,178</u>

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 September 2017 <i>HK\$'000</i> (Unaudited)	31 March 2017 <i>HK\$'000</i> (Audited)
Listed investments:		
Debt securities, at fair value (<i>note a</i>)	615,937	479,099
Equity securities, at fair value (<i>note a</i>)	<u>44,509</u>	<u>43,334</u>
	660,446	522,433
Unlisted investments:		
Club debentures, stated at cost (<i>note b</i>)	<u>156</u>	<u>156</u>
	<u>660,602</u>	<u>522,589</u>
Analysed for reporting purpose as:		
Non-current assets	589,015	512,320
Current assets	<u>71,587</u>	<u>10,269</u>
	<u>660,602</u>	<u>522,589</u>

Notes:

- (a) The fair value of the listed debt and equity securities are based on quoted market bid price in active markets.
- (b) The club debentures do not have a quoted market price in an active market and their fair values cannot be reliably measured.

14. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables were rental receivables of approximately HK\$378,000 (31 March 2017: approximately HK\$592,000) 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 ageing of rental receivables based on debit note dates is as below:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
31 – 60 days	378	439
61 – 90 days	–	29
Over 90 days	–	124
	<u>378</u>	<u>592</u>

15. SECURED BANK BORROWINGS

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
The secured bank borrowings are repayable as follows:		
Within one year	57,299	28,037
More than one year but not exceeding two years	12,514	8,175
More than two years but not exceeding five years	38,876	25,381
More than five years	222,307	148,407
	<u>330,996</u>	210,000
Less: Amounts due within one year shown under current liabilities	<u>57,299</u>	28,037
Amounts shown under non-current liabilities	<u>273,697</u>	<u>181,963</u>

All of the bank borrowings were denominated in Hong Kong dollars with variable interest rates ranging from 1.2% to 1.25% over HIBOR per annum (31 March 2017: from 1.2% to 1.5% over HIBOR per annum).

16. SHARE CAPITAL

	30 September 2017		31 March 2017	
	Number of ordinary shares (Unaudited)	Amount HK\$'000 (Unaudited)	Number of ordinary shares (Audited)	Amount 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>

17. RELATED PARTY TRANSACTIONS

In addition to transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group, during the period, had the following transaction with the associates of the Group. The transaction prices were considered by the directors of the Company as estimated market price.

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income received from associates	1,598	1,669

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	5,223	4,620
MPF contributions	14	9
	5,237	4,629

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group's total banking facilities amounted to approximately HK\$1,086,662,000 (31 March 2017: HK\$990,000,000). The Group has utilised the banking facilities to an amount of approximately HK\$330,996,000 (31 March 2017: HK\$210,000,000).

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

- i) Investment properties with an aggregate carrying amount of approximately HK\$1,193,100,000 (31 March 2017: approximately HK\$950,700,000);
- ii) Available-for-sale financial assets with carrying amounts of approximately HK\$639,604,000 (31 March 2017: approximately HK\$501,927,000); and
- iii) Bank deposits with carrying amounts of approximately HK\$491,000 (31 March 2017: approximately HK\$2,729,000).

19. CONTINGENT LIABILITIES

The Company has provided guarantee for an associate to secure a revolving loan of HK\$100,000,000 (31 March 2017: 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.

20. 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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	810	1,080
In the second to fifth year inclusive	—	270
	810	1,350

Operating lease payments represent rental payables by the Group for its director's quarter. The lease is fixed for two years (31 March 2017: two years).

The Group as lessor

The investment properties of the Group generated rental yields of approximately 2.78% (31 March 2017: 3.29%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (31 March 2017: four years).

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	61,518	62,808
In the second to fifth year inclusive	28,859	30,972
	90,377	93,780

21. CAPITAL COMMITMENTS

As at 30 September 2017, the Group had outstanding purchase agreements for the acquisition of property, plant and equipment of approximately HK\$169,000 (31 March 2017: approximately HK\$199,000).

22. 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 financial assets 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: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable for the asset or liability.

	Fair value as at			
	30 September	31 March	Fair value	Valuation
	2017	2017	hierarchy	techniques and
	HK\$'000	HK\$'000		key inputs
	(Unaudited)	(Audited)		
Available-for-sale financial assets				
– Listed debt securities	615,937	479,099	Level 1	Quoted bid prices in active markets
– Listed equity securities	44,509	43,334	Level 1	Quoted bid prices in active markets
	<hr/>	<hr/>		
Total	<u>660,446</u>	<u>522,433</u>		

During the six months ended 30 September 2017 and for the year ended 31 March 2017, there were no transfers between instrument in Level 1 and Level 2, or transfer into or out of Level 3.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.2 cents per share for the six months ended 30 September 2017. The interim dividend will be paid on or about Friday, 15 December 2017 to shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 7 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 5 December 2017 to Thursday, 7 December 2017, 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 Monday, 4 December 2017.

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	
		2017	2016
For the period	Revenue	41,043	52,337
	Profit for the period attributable to owners of the Company	49,044	49,622
As at 30 September	Capital & reserves attributable to owners of the Company	3,692,371	3,728,968
	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%	2.66%
	Gearing	8.96%	2.55%
Per Share	Net worth per share (HK\$)	12.00	12.12
	Basic earnings per share (HK cents)	15.94	16.12
	Interim dividend declared per share (HK cents)	2.2	2.2

FINANCIAL REVIEW

Financial Results

Revenue

The revenue of the Group for the period was remained stable at HK\$41.0 million, a decrease of HK\$11.3 million as compared with prior period (2016: HK\$52.3 million). This was primarily due to Group's commercial shops and office properties recorded a decrease in rental rates upon renewal.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company for the period remained stable at HK\$49.0 million.

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

- decrease of rental income derived from the Group's Hong Kong property portfolio during the period; and
- higher interest income derived from Group's investment in debt securities.

Earnings per share

Earnings per share amounted to HK15.94 cents (2016: HK16.12 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 2017, the Group's net borrowings amounted to HK\$261.8 million (31 March 2017: HK\$173.4 million) represent bank borrowings of HK\$331.0 million (31 March 2017: HK\$210 million) less bank deposits, bank balances and cash of HK\$69.2 million (31 March 2017: HK\$36.6 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 7.1% (31 March 2017: 4.8%).

At 30 September 2017, the Group's total banking facilities amounting to HK\$1,086.7 million (31 March 2017: HK\$990.0 million) were fully secured by its investment properties, available for sale investments and bank deposits with an aggregate carrying value amounting to HK\$1,833.2 million (31 March 2017: HK\$1,455.4 million).

	At 30 September 2017 HK\$'000	At 31 March 2017 HK\$'000
Bank loans are repayable as follows:		
On demand or within one year	57,299	28,037
More than one year but not exceeding two years	12,514	8,175
More than two years but not exceeding five years	38,876	25,381
More than five years	222,307	148,407
	330,996	210,000

At 30 September 2017, the current ratio (current assets/current liabilities) of the Group was 1.58 times (31 March 2017: 0.9 times).

Segment information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 3 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 18 to the condensed consolidated financial statements on page 15.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 19 to the condensed consolidated financial statements on page 16.

Shareholders' Funds

At 30 September 2017, the Group's shareholders' funds amounted to HK\$3,692.4 million (31 March 2017: HK\$3,644.7 million), an increase of HK\$47.7 million from the previous year end. The net asset value per share was HK\$12.00 (31 March 2017: HK\$11.84).

At 30 September 2017, the Group had no significant exposure to foreign exchange rate fluctuations.

OPERATION REVIEW

Properties

- The Group's gross rental income mainly derived from its Hong Kong property portfolio.
- The Group's rental income decreased by 21.6% as compared with prior period.
- The occupancy rate for the period is 96.8%, a slight increase of 0.4% as compared with prior period of 96.4%.
- The Group's share of gross rental income from associates remained stable at an amount of HK\$6.8 million.

Treasury investment

- Interest income and dividend income derived from the Group's investment in debt and equity securities amounted to HK\$22.7 million, a 89.3% increase compared to prior period.
- At 30 September 2017, the Group held debt and equity securities investments of HK\$660.6 million, a 26.4% increase as compared with year end at 31 March 2017.

Employees

At 30 September 2017, the total number of staff of the Group was 17 (2016: 16). The total staff costs including Directors' emoluments amounted to HK\$10.6 million (2016: HK\$9.8 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

The global economy outlook remains uncertain. Geopolitical unrest and tension escalated to an alarming level with terrorist acts in Europe and the Middle East, provocative missile tests by North Korea, and disputes in the South China Sea. In addition, the impact of implementing Brexit, coupled with gradual interest rate hike and the announced plan to reduce the size of its balance sheet by the US Federal Reserve will undoubtedly pose threats to global market confidence and weaken economic recovery.

In Hong Kong, while the local property market appeared to perform slightly better than last year (except for the retail sector), rental value of prime retail areas experienced substantial downward adjustments. The continued weakening in the amount of Mainland tourists visiting Hong Kong and the increased popularity and acceptance of e-commerce retail sales inevitably brought negative effects to the retail segment and has led to continuous downward pressure on the rental of commercial shops. The Group expects such business environment may continue, resulting in vacancy increase and reduction in rental income. To mitigate such impact, the Group will endeavor to maintain high occupancy rate with reasonable market rental.

Looking forward, we will continue to seek investments with steady recurring income in order to strengthen our profitability. Meanwhile, the Group will continue our prudent financial management approach with a healthy debt ratio while pursuing our long-term healthy growth initiatives and striving to generate sustainable return for our 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 2017.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 19 September 2017. 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 risk management and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2017 and the 2017/2018 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2017, the Company has complied with all the applicable code provisions in the Corporate Governance Code (the “CG 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 CG 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 2017.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 16 November 2017

As at the date of this announcement, the Board comprises seven Directors, of which three are Executive Directors, namely Mr. CHAN Hoi Sow, Mr. CHAN Yan Tin, Andrew and Ms. CHAN Yan Wai, Emily, 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.