



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2014/2015 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow

Chairman and Managing Director

Chan Yan Tin, Andrew

Chan Siu Keung, Leonard

Non-Executive Director

Chan Yan Mei, Mary-ellen

Independent Non-Executive Directors

Chan Kwok Wai

Tse Lai Han, Henry

Leung Kui King, Donald

AUDIT COMMITTEE

Chan Kwok Wai

Chairman

Tse Lai Han, Henry

Leung Kui King, Donald

REMUNERATION COMMITTEE

Chan Kwok Wai

Chairman

Tse Lai Han, Henry

Chan Yan Tin, Andrew

(Appointed on 10 October 2014)

NOMINATION COMMITTEE

Chan Kwok Wai

Chairman

Tse Lai Han, Henry

Chan Siu Keung, Leonard

COMPANY SECRETARY

Huen Po Wah

REGISTERED OFFICE

26th Floor, Tern Centre, Tower I

237 Queen's Road Central

Hong Kong

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

PRINCIPAL BANKERS

Wing Lung Bank Limited

The Bank of East Asia, Limited

Nanyang Commercial Bank, Ltd.

Shanghai Commercial Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

AUDITORS

HLM CPA Limited

SOLICITORS

Woo, Kwan, Lee & Lo

WEBSITE

www.tern.hk

STOCK CODE

277

The Board of Directors of Tern Properties Company Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014, 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 2014

		Six months ended	
		30 September	
	<i>Notes</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	5	48,271	41,913
Property expense		<u>(724)</u>	<u>(855)</u>
Gross profit		47,547	41,058
Realised gain (loss) on disposal of financial assets held for trading		194	(338)
Unrealised loss on financial assets held for trading		(1,444)	(3,945)
Gain on disposal of a property		67,769	–
Dividend income		310	310
Interest income		5,380	6,273
Other operating income		125	117
Administrative expenses		<u>(13,036)</u>	<u>(11,473)</u>
Profit from operations	6	106,845	32,002
Finance costs		(1,237)	(1,386)
Share of results of associates	12	<u>3,911</u>	<u>3,959</u>
Profit before taxation		109,519	34,575
Taxation	7	<u>(6,147)</u>	<u>(4,827)</u>
Profit and total comprehensive income for the period and attributable to owners of the Company		<u><u>103,372</u></u>	<u><u>29,748</u></u>
Earnings per share			
Basic and diluted	9	<u><u>HK33.59 cents</u></u>	<u><u>HK9.67 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	<i>Notes</i>	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	3,090,702	3,090,737
Property, plant and equipment	11	8,326	13,206
Leasehold land		15,245	67,716
Interests in associates	12	381,000	381,139
Available-for-sale investments		2,161	2,161
Deferred rental income		1,274	1,640
		3,498,708	3,556,599
Current assets			
Trade and other receivables	13	8,064	6,419
Financial assets held for trading	14	193,761	113,098
Leasehold land – current portion		92	1,036
Deferred rental income – current portion		1,432	1,468
Tax recoverable		58	40
Pledged bank deposits		–	20,002
Bank balances and cash		133,659	19,890
		337,066	161,953
Current liabilities			
Trade and other payables	15	30,566	6,550
Rental deposits from tenants		28,402	25,617
Tax liabilities		7,950	2,612
Secured bank loans – due within one year	16	50,000	25,281
		116,918	60,060
Net current assets		220,148	101,893
Non-current liabilities			
Deferred tax liabilities		21,057	20,250
Secured bank loans – due after one year	16	84,000	116,120
		105,057	136,370
Net assets		3,613,799	3,522,122
Capital and reserves			
Share capital	17	229,386	229,386
Reserves		3,384,413	3,292,736
		3,613,799	3,522,122

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

(Unaudited)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(Note a)</i>	Capital redemption reserve <i>HK\$'000</i> <i>(Note a)</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	229,386	–	–	11,695	3,281,041	3,522,122
Total comprehensive income for the period	–	–	–	–	103,372	103,372
Dividends declared	–	–	–	25,236	(25,236)	–
Dividends paid	–	–	–	(11,695)	–	(11,695)
At 30 September 2014	<u>229,386</u>	<u>–</u>	<u>–</u>	<u>25,236</u>	<u>3,359,177</u>	<u>3,613,799</u>
At 1 April 2013	153,879	72,818	2,689	10,771	3,048,661	3,288,818
Total comprehensive income for the period	–	–	–	–	29,748	29,748
Dividends declared	–	–	–	6,771	(6,771)	–
Dividends paid	–	–	–	(10,771)	–	(10,771)
At 30 September 2013	<u>153,879</u>	<u>72,818</u>	<u>2,689</u>	<u>6,771</u>	<u>3,071,638</u>	<u>3,307,795</u>

Note:

- a. An entirely new Companies Ordinance (Cap.622) (“new CO”) came into effect on 3 March 2014. The new CO abolishes authorised share capital, par value, share premium and capital redemption reserve in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium and capital redemption reserve of the Company are transferred to the share capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	63,389	32,848
Net cash generated from investing activities	70,757	1,717
Net cash used in financing activities	<u>(20,377)</u>	<u>(51,956)</u>
Net increase (decrease) in cash and cash equivalents	113,769	(17,391)
Cash and cash equivalents at beginning of the period	<u>19,890</u>	<u>38,446</u>
Cash and cash equivalents at end of the period	<u><u>133,659</u></u>	<u><u>21,055</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u><u>133,659</u></u>	<u><u>21,055</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statement for the year ended 31 March 2014.

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

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

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HK (IFRIC) – Int 21	Levies

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

New and revised Standards and Interpretations in issue but not yet effective

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

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 cycle ³
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 cycle ⁵
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 7, HKFRS 9 and HKAS 39 ²
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations ⁵
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁶

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

² Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 January 2017

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 the associates. The individual properties with similar economic characteristics are aggregated into segments for presentation purposes.

For treasury investment, the segment represents the investment results in debt and equity securities. Financial information is provided to the Board on a company basis. The information provided includes the investments in financial assets held for trading, bank balances, fair value change in financial assets held for trading, dividend income and interest income.

4. OPERATING SEGMENTS (Continued)

Business information

For the six months ended 30 September 2014

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	48,271	–	48,271
Property expenses	(724)	–	(724)
Gross profit	47,547	–	47,547
Realised gain on disposal of financial assets held for trading	–	194	194
Unrealised loss on financial assets held for trading	–	(1,444)	(1,444)
Gain on disposal of a property	67,769	–	67,769
Dividend income	–	310	310
Interest income	–	5,380	5,380
Other operating income	89	36	125
Administrative expenses	(12,908)	(128)	(13,036)
Profit from operations	102,497	4,348	106,845
Finance costs	(1,198)	(39)	(1,237)
Share of results of associates	3,911	–	3,911
Profit before taxation	105,210	4,309	109,519
Taxation	(6,147)	–	(6,147)
Profit for the period	<u>99,063</u>	<u>4,309</u>	<u>103,372</u>

At 30 September 2014

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	3,621,997	213,777	3,835,774
Segment liabilities	(197,470)	(24,505)	(221,975)
Net assets	<u>3,424,527</u>	<u>189,272</u>	<u>3,613,799</u>
Other segment information:			
Depreciation and amortization	1,502	–	1,502
Addition to property, plant and equipment	103	–	103

4. OPERATING SEGMENTS (Continued)

Business information (Continued)

For the six months ended 30 September 2013

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	41,913	–	41,913
Property expenses	<u>(855)</u>	<u>–</u>	<u>(855)</u>
Gross profit	41,058	–	41,058
Realised loss on disposal of financial assets held for trading	–	(338)	(338)
Unrealised loss on financial assets held for trading	–	(3,945)	(3,945)
Dividend income	–	310	310
Interest income	–	6,273	6,273
Other operating income	110	7	117
Administrative expenses	<u>(11,443)</u>	<u>(30)</u>	<u>(11,473)</u>
Profit from operations	29,725	2,277	32,002
Finance costs	(1,386)	–	(1,386)
Share of results of associates	<u>3,959</u>	<u>–</u>	<u>3,959</u>
Profit before taxation	32,298	2,277	34,575
Taxation	<u>(4,827)</u>	<u>–</u>	<u>(4,827)</u>
Profit for the period	<u><u>27,471</u></u>	<u><u>2,277</u></u>	<u><u>29,748</u></u>

At 31 March 2014

	Property investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	3,579,597	138,955	3,718,552
Segment liabilities	<u>(176,377)</u>	<u>(20,053)</u>	<u>(196,430)</u>
Net assets	<u><u>3,403,220</u></u>	<u><u>118,902</u></u>	<u><u>3,522,122</u></u>
Other segment information:			
Depreciation and amortisation	3,005	–	3,005
Addition to property, plant and equipment	<u>1,891</u>	<u>–</u>	<u>1,891</u>

4. OPERATING SEGMENTS (Continued)

Geographical information

During the period over 90% of the activities of the Group 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 revenue arising from rental income of HK\$48.3 million (2013: HK\$41.9 million) were rental revenue of HK\$9.2 million (2013: HK\$9.1 million) which arose from the Group's largest tenant.

5. TURNOVER

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

6. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:		
Auditor's remuneration	205	190
Depreciation	1,063	965
Amortisation on leasehold land	439	518
Exchange loss	29	56
Staff costs (including Directors' remuneration)	7,051	6,428
Mandatory provident fund contributions	88	76
Total staff costs	7,139	6,504
and after crediting:		
Dividend income	310	310
Gain on disposal of a property	67,769	–
Gross rental income from investment properties	48,271	41,913
Less:		
Direct operating expenses from investment properties that generated rental income	(551)	(570)
Direct operating expenses from investment properties that did not generate rental income	(173)	(285)
Net rental income	47,547	41,058

7. TAXATION

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	5,338	4,007
Other jurisdiction		
Under (over) provision in previous periods	<u>2</u>	<u>(8)</u>
	5,340	3,999
Deferred tax expenses		
Current period	<u>807</u>	<u>828</u>
	<u>6,147</u>	<u>4,827</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

8. DIVIDENDS

On 20 August 2014, the final dividend of HK3.8 cents per share were paid to the shareholders for the financial year ended 31 March 2014.

The Board of Directors has declared an interim dividend of HK2.2 cents (2013: HK2.2 cents) and a special interim dividend of HK6.0 cents (2013: Nil) per share amounting to HK\$25,236,000 payable on 18 December 2014 to the shareholders whose names appear on the Register of Members on 15 December 2014.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$103,372,000 (2013: HK\$29,748,000) and on the weighted average number of 307,758,522 (2013: 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 either period.

10. INVESTMENT PROPERTIES

The investment properties of the Group were not revalued at 30 September 2014 by independent valuers. The directors were aware of the possible change 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 the end of the reporting period. Consequently, no increase or decrease in fair value of investment properties has been recognised in the current period.

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

11. PROPERTY, PLANT AND EQUIPMENT

On 30 July 2014, the Group entered into the formal sale and purchase agreement to sell the property located at Flat A on the 43rd Floor and Parking Spaces Nos. 44 & 45 on the 5th Floor of HighCliff, No. 41D Stubbs Road, Hong Kong at the cash consideration of HK\$125,000,000. The transaction was completed on 30 September 2014 and resulted in a gain on disposal of HK\$67,769,000 after deducting the carrying amount of HK\$56,560,000 and other direct cost. The gain on disposal has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income in current period.

Other than disclosed above, the Group written off certain property, plant and equipment with carrying amount of HK\$337,000 and additions to leasehold improvements with an aggregate amount of approximately HK\$103,000 during the period. (2013: acquired furniture and office equipment and additions to leasehold improvements with an aggregate amount of approximately HK\$941,000).

12. INTEREST IN ASSOCIATES

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Unlisted shares, at cost	–	–
Share of net assets	376,353	372,442
Amounts due from an associate	4,647	8,697
	<u>381,000</u>	<u>381,139</u>

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Total assets	836,310	789,759
Total liabilities	(83,604)	(44,875)
Net assets	<u>752,706</u>	<u>744,884</u>
Share of net assets of associates	<u>376,353</u>	<u>372,442</u>
	Six months ended 30 September 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	13,908	12,353
Profit and total comprehensive income for the period	<u>7,822</u>	<u>7,918</u>
Share of results of associates	<u>3,911</u>	<u>3,959</u>

13. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables was rental receivable of HK\$182,000 (31 March 2014: HK\$141,000) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

At the end of both reporting periods, all the rental receivable had an age of less than 30 days.

The directors considered that the carrying amount of trade and other receivables approximates their fair value.

14. FINANCIAL ASSETS HELD FOR TRADING

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Analysis of financial assets held for trading		
Listed overseas debt securities	162,542	104,759
Listed overseas equity securities	8,272	8,339
Listed local equity securities	22,947	–
	<u>193,761</u>	<u>113,098</u>
	<u>193,761</u>	<u>113,098</u>
Market value	<u>193,761</u>	<u>113,098</u>

Market values are determined with reference to quoted market prices in active markets.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables was prepaid rental from tenants of HK\$2,842,000 (31 March 2013: HK\$2,440,000).

At the end of both reporting periods, all the prepaid rental from tenants had an age of less than 30 days.

The directors considered that the carrying amount of trade and other payables approximates their fair value.

16. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within one year	50,000	25,281
More than one year but not exceeding two years	46,000	65,313
More than two years but not exceeding five years	38,000	44,137
More than five years	–	6,670
	<u>134,000</u>	<u>141,401</u>
Less: Amounts due within one year	<u>(50,000)</u>	<u>(25,281)</u>
	<u>84,000</u>	<u>116,120</u>

Bank loans are denominated in Hong Kong dollars with variable interest rate from 1.0% to 2.125% over HIBOR (31 March 2014: 1.0% to 1.45% over HIBOR) per annum.

17. SHARE CAPITAL

	30 September 2014		31 March 2014	
	Number of ordinary shares with no par value '000 (Unaudited)	HK\$'000 (Unaudited)	Number of ordinary shares with no par value '000 (Audited)	HK\$'000 (Audited)
Authorised:	—	—	—	—
Issued and fully paid:				
At beginning and end of the period	<u>307,759</u>	<u>229,386</u>	<u>307,759</u>	<u>229,386</u>

There were no movements in the share capital of the Company for the six months ended 30 September 2014.

18. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$204,500 (2013: HK\$180,000) from an associate of the Company, Win Easy Development Limited.

The directors of the Group considered that they were the key management personnel of the Group and their remunerations were HK\$5,511,000 (2013: HK\$5,484,000).

19. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounted to HK\$245,000,000 (31 March 2014: HK\$278,248,000).

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

- i) Investment properties with a carrying amount of HK\$723,600,000 (31 March 2014: HK\$727,738,000);
- ii) Leasehold land and buildings with a carrying amount of HK\$15,527,000 (2014: HK\$72,766,000);
- iii) Financial assets held for trading with a carrying amount of HK\$91,239,000 (31 March 2014: HK\$96,783,000);
- iv) Bank deposits of HK\$Nil (31 March 2014: HK\$20,002,000).

At the end of the reporting period, the Group had utilised banking facilities with an amount of HK\$134,000,000 (31 March 2014: HK\$141,401,000).

20. CONTINGENT LIABILITIES

At the end of the reporting period, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	THE GROUP		THE COMPANY	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Subsidiaries	–	–	134,000	141,401
Associates	7,500	4,000	7,500	4,000
	<u>7,500</u>	<u>4,000</u>	<u>141,500</u>	<u>145,401</u>

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

21. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had no capital commitments (31 March 2014: Nil).

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 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within one year	1,140	–
In the second to fifth year inclusive	<u>1,140</u>	<u>–</u>
	<u>2,280</u>	<u>–</u>

No payment was made under operating leases during the period.

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.22% (31 March 2014: 2.88%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within one year	90,839	69,604
In the second to fifth year inclusive	<u>67,910</u>	<u>30,892</u>
	<u>158,749</u>	<u>100,496</u>

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets held for trading 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 2014 HK\$'000 (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets held for trading					
– Debt securities	162,542	Level 1	Quoted market ask prices	N/A	N/A
– Equity securities	31,219	Level 1	in active markets	N/A	N/A
Total	<u>193,761</u>				

	Fair value as at 30 September 2013 HK\$'000 (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets held for trading					
– Debt securities	118,552	Level 1	Quoted market ask prices	N/A	N/A
– Equity securities	8,366	Level 1	in active markets	N/A	N/A
Total	<u>126,918</u>				

During the period, there was no transfer between Level 1 and Level 2 in the fair value hierarchy.

INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.2 cents per share and a special interim dividend of HK6.0 cents per share amounting to HK8.2 cents per share for the six months ended 30 September 2014 payable to shareholders of the Company whose names appear on the Register of Members of the Company on Monday, 15 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 11 December 2014 to Monday, 15 December 2014, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim dividend and special 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 Wednesday, 10 December 2014. Dividend warrants will be dispatched to shareholders on Thursday, 18 December 2014.

BUSINESS REVIEW AND PROSPECT

The Group's gross rental income for the six months ended 30 September 2014 amounted to HK\$48.3 million, an increase of 15.2% from the same period of last year. The Group's profit for the period amounted to HK\$103.4 million.

The Group's overall rental income continued to increase during the period due to several retail shops leased to McDonald's restaurant, H&M fashion store and G2000 apparel at substantially increased rental rates. The other shops and office properties continued to attain rental income at higher level during the period. The Group's rental portfolio achieved an average occupancy rate of 98.0% during the period.

During the period the Group sold a residential property at Flat A on the 43rd Floor of HighCliff, No. 41D Stubbs Road, Hong Kong together with two parking spaces for a cash consideration of HK\$125 million. The transaction was completed on 30 September 2014.

The Group continued to invest in debt securities and equity securities during the period. The investments generated interest income and dividend income amounting to HK\$5.7 million for the period.

The growth in global economy has been modest and is expected to turn slow further next year. Although persistent signs of recovery have been simmering in the United States, the eurozone is facing geo-political risks and conflicting state policy settings which will overshadow the already fragile economic recovery among the member states. On the other hand, the Chinese and the major emerging economies are slipping into slower growth and are expected to manoeuvre their monetary policies to boost the growth engine.

The price of the local residential properties has remained firm despite decreasing trading activities but is exposed to the socio-economic uncertainties ahead. For commercial properties market, the rental value of retail shops will continue to adjust downward in view of the slowing retail sales and weak consumer sentiment. The downward adjustment may end when the retail leasing activities recover. Meanwhile demand for office properties has remained stable and bodes well for the rental value of those properties next year.

The Group's rental income will continue to increase in the second half of the year after positive rental reversions for its leases.

FINANCIAL OPERATION REVIEW

Operation

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.

The Group's turnover, which represents gross rental income for the six months ended 30 September 2014 amounted to HK\$48.3 million (2013: HK\$41.9 million), an increase of 15.2% from the same period of last year. During the period, Shops B & C on the ground floor of Ka Wing Building at 27 Granville Road recorded an increase in rental income of over 100% while The Wave and Southgate Commercial Centre recorded an increase in rental income of 36% and 28% respectively. The Group's other retail shops also recorded a moderate increase in rental rates upon renewal of existing leases while rental rates for office properties have been stable during the period. The Group's share of gross rental income from an associate amounted to HK\$7.0 million (2013: HK\$6.2 million), an increase of 12.6% from the same period of last year.

During the period the Group sold a residential property together with two parking spaces in HighCliff for a cash consideration of HK\$125 million. The disposal generated a gain of HK\$67.8 million.

The Group's interest and dividend income for the six months ended 30 September 2014 amounted to HK\$5.7 million (2013: HK\$6.6 million), a decrease of 13.6% from the same period of last year. At 30 September 2014, the Group held debt and equity securities investments amounting to HK\$193.8 million (31 March 2014: HK\$113.1 million), an increase of 71.3% from the previous year-end.

Results

The Group's profit for the six months ended 30 September 2014 amounted to HK\$103.4 million (2013: HK\$29.7 million), an increase of 2.47 times from the same period of last year. The increase was due to the gain on disposal of the residential property in HighCliff, higher rental income and less unrealised loss on securities investments upon revaluation during the period. The Group's share of profit of associates after taxation amounted to HK\$3.9 million (2013: HK\$4.0 million), a decrease of 1.2% from the same period of last year. The decrease was due to the decrease in interest income and the increase in unrealised loss on securities investments upon revaluation offset by higher rental income during the period.

Earnings per share for the six months ended 30 September 2014 were HK33.59 cents (2013: HK9.67 cents), an increase of HK23.92 cents from the same period of last year. An interim dividend of HK2.2 cents (2013: HK2.2 cents) per share and a special interim dividend of HK6.0 cents (2013: Nil) per share amounting to HK8.2 cents (2013: HK2.2 cents) per share have been declared, an increase of HK6.0 cents from the same period of last year.

Liquidity, Bank Borrowings and Finance Costs

At 30 September 2014, the Group's net current assets including bank balances and cash of HK\$133.7 million amounted to HK\$220.1 million (31 March 2014: HK\$101.9 million), an increase of HK\$118.2 million from the previous year-end. The increase in net current assets was due to the proceed received upon the disposal of the property in HighCliff. At 30 September 2014, the Group's banking facilities amounting to HK\$245.0 million (31 March 2014: HK\$278.2 million) were fully secured by its investment properties, leasehold land and buildings, financial assets held for trading and bank deposits with an aggregate carrying value amounting to HK\$830.4 million (31 March 2014: HK\$917.3 million). At 30 September 2014, these facilities were utilised to the extent of HK\$134.0 million (31 March 2014: HK\$141.4 million).

FINANCIAL OPERATION REVIEW (Continued)

Liquidity, Bank Borrowings and Finance Costs (Continued)

At 30 September 2014, the total amount of outstanding bank borrowings net of bank balances and cash were HK\$341,000 (31 March 2014: HK\$101.5 million), a decrease of HK\$101.2 million from the previous year-end. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 0.01% (31 March 2014: 2.88%).

Of the total bank borrowings at 30 September 2014, HK\$50.0 million or 37.3% were repayable within one year, HK\$46.0 million or 34.3% were repayable after one year but within two years, HK\$38.0 million or 28.4% were repayable after two years but within five years. No bank borrowings were repayable after five years.

The Group's finance costs for the six months ended 30 September 2014 were HK\$1.2 million (2013: HK\$1.4 million), a decrease of 10.8% from the same period of last year. The decrease was due to lower level of bank borrowings during the period.

Shareholders' Funds

At 30 September 2014, the Group's shareholders' funds amounted to HK\$3,613.8 million (31 March 2014: HK\$3,522.1 million), an increase of HK\$91.7 million from the previous year-end. The net asset value per share was HK\$11.7 (31 March 2014: HK\$11.4).

At 30 September 2014, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2014, the total number of staff of the Group was 16 (2013: 16). The total staff costs including Directors' emoluments amounted to HK\$7.1 million (2013: HK\$6.5 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	Beneficial owner	Personal interest	2,036,000	173,772,896	56.46
	Interest of controlled corporation	Corporate interest (Note 1)	25,822,896		
	Founder of a discretionary trust	Other interest (Notes 1 & 2)	171,736,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal interest	792,000	172,528,896	56.05
	Beneficiary of a trust	Other interest (Notes 2 & 3)	171,736,896		
Chan Siu Keung, Leonard	–	–	–	–	–
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other interest (Notes 2 & 4)	171,736,896	171,736,896	55.80
Chan Kwok Wai	–	–	–	–	–
Tse Lai Han, Henry	–	–	–	–	–
Leung Kui King, Donald	–	–	–	–	–

Notes:

- These 25,822,896 shares are held by Evergrade Investments Limited. The issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members. These 25,822,896 shares are also included in the 171,736,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.
- The three references to 171,736,896 shares relate to the same block of shares in the Company. The 171,736,896 shares are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan Hoi Sow and the beneficiaries of which are Mr. Chan Hoi Sow and his family members. By virtue of the shareholdings as aforementioned, Mr. Chan Hoi Sow is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

DIRECTORS' INTERESTS IN SHARES (Continued)

3. Mr. Chan Yan Tin, Andrew is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.
4. Ms. Chan Yan Mei, Mary-ellen is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Mei, Mary-ellen is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 30 September 2014 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2014, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Loo Kuo Pin	Interest of spouse	Family interest (Note 1)	173,772,896	173,772,896	56.46
Credit Suisse Trust Limited as trustee of Sow Pin Trust	Trustee	Other interest (Notes 2, 3 & 4)	171,736,896	171,736,896	55.80
Brock Nominees Limited	Interest of controlled corporation	Corporate interest (Notes 2 & 3)	171,736,896	171,736,896	55.80
Global Heritage Group Limited	Interest of controlled corporation	Corporate interest (Notes 2 & 3)	171,736,896	171,736,896	55.80
Beysers Investments Limited	Interest of controlled corporation	Corporate interest (Notes 2, 3 & 4)	171,736,896	171,736,896	55.80
Noranger Company Limited	Beneficial owner	Corporate interest (Notes 2, 3 & 4)	145,914,000	145,914,000	47.41
Evergrade Investments Limited	Beneficial owner	Corporate interest (Notes 2, 3 & 4)	25,822,896	25,822,896	8.39

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Edward Kew	Beneficial owner	Personal interest (Note 5)	5,461,200	25,968,494	8.44
	Interest of spouse	Family interest (Note 5)	8,856,494		
	Interest of controlled corporation	Corporate interest (Note 5)	11,650,800		
Kew Youn Lunn	Beneficial owner	Personal interest (Note 6)	2,380,800	25,968,494	8.44
	Interest of spouse	Family interest (Note 6)	5,461,200		
	Interest of controlled corporation	Corporate interest (Note 6)	18,126,494		

Notes:

- The interest is the same block of shares already disclosed under the personal, corporate and other interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "Directors' Interests".
- All interests of Credit Suisse Trust Limited as trustee of Sow Pin Trust, Brock Nominees Limited, Global Heritage Group Limited, Beyers Investments Limited and the aggregate interests of Noranger Company Limited and Evergrade Investments Limited relate to the same block of shares in the Company.
- Credit Suisse Trust Limited as trustee of Sow Pin Trust is the holding company of Brock Nominees Limited and is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 4 below through interests of corporations controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage control
Brock Nominees Limited	Credit Suisse Trust Limited as trustee of Sow Pin Trust	100.00
Global Heritage Group Limited	Brock Nominees Limited	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

SUBSTANTIAL SHAREHOLDERS (Continued)

4. Credit Suisse Trust Limited as trustee of Sow Pin Trust is interested in 171,736,896 shares which are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Beyers Investments Limited and as to 50% by Mr. Chan Hoi Sow. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members as disclosed in the section headed "Directors' Interests".
5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.
6. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 30 September 2014, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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 2014.

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 2014 and the 2014/2015 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2014, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

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 2014.

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 2014.

DIRECTORS

As at the date of this report, the Board of Directors of the Company comprises seven Directors, of which three are Executive Directors, namely Mr. Chan Hoi Sow, Mr. Chan Yan Tin, Andrew and Mr. Chan Siu Keung, Leonard, 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.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 26 November 2014