



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2015/2016 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow

Chairman and Managing Director

Chan Yan Tin, Andrew

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

NOMINATION COMMITTEE

Chan Kwok Wai

Chairman

Tse Lai Han, Henry

Chan Yan Tin, Andrew

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

The Bank of East Asia, Limited

Nanyang Commercial Bank, Ltd.

The Hongkong and Shanghai Banking

Corporation Limited

Credit Suisse Group AG

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 2015, together with the comparative figures for the corresponding period in the previous year are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		Six months ended	
		30 September	
	<i>Notes</i>	2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	51,898	48,271
Property expenses		(627)	(724)
		<hr/>	<hr/>
Gross profit		51,271	47,547
Realised gain on disposal of financial assets held for trading		2,257	194
Unrealised loss on financial assets held for trading		–	(1,444)
Gain on disposal of a property		–	67,769
Realised gain on disposal of available-for-sale financial asset		1,120	–
Dividend income		434	310
Interest income		9,851	5,380
Other operating income		348	125
Decrease in fair value of investment properties		(56,600)	–
Administrative expenses		(14,071)	(13,036)
		<hr/>	<hr/>
(Loss) profit from operations	6	(5,390)	106,845
Finance costs	8	(923)	(1,237)
Share of results of associates	14	7,300	3,911
		<hr/>	<hr/>
Profit before taxation		987	109,519
Taxation	9	(7,318)	(6,147)
		<hr/>	<hr/>
(Loss) profit for the period and attributable to owners of the Company		(6,331)	103,372
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share			
Basic and diluted	11	HK (2.06) cents	HK 33.59 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period	(6,331)	103,372
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets:		
net movement in revaluation reserve	<u>(1,395)</u>	<u>–</u>
Total comprehensive (loss) income for the period and attributable to owners of the Company	<u><u>(7,726)</u></u>	<u><u>103,372</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	<i>Notes</i>	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Non-current assets			
Investment properties	12	3,139,107	3,195,912
Property, plant and equipment	13	9,833	8,395
Leasehold land		15,152	15,198
Interests in associates	14	404,800	401,250
Available-for-sale financial assets	15	194,740	2,161
Deferred rental income		583	816
		3,764,215	3,623,732
Current assets			
Trade and other receivables	16	7,350	8,665
Financial assets held for trading	17	–	283,559
Leasehold land – current portion		92	92
Deferred rental income – current portion		1,029	1,161
Tax recoverable		35	231
Bank balances and cash		25,890	46,087
		34,396	339,795
Current liabilities			
Trade and other payables	18	8,344	16,943
Rental deposits from tenants		29,207	29,387
Tax liabilities		7,947	2,486
Secured bank loans – due within one year	19	–	60,000
		45,498	108,816
Net current (liabilities) assets		(11,102)	230,979
Non-current liabilities			
Deferred tax liabilities		22,754	21,777
Secured bank loans – due after one year	19	–	81,000
		22,754	102,777
Net assets		3,730,359	3,751,934
Capital and reserves			
Share capital	20	229,386	229,386
Reserves		3,500,973	3,522,548
		3,730,359	3,751,934

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

(Unaudited)

	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 2015	229,386	–	13,849	3,508,699	3,751,934
Loss for the period	–	–	–	(6,331)	(6,331)
Other comprehensive income: change in fair value of available-for-sale financial assets	–	(1,395)	–	–	(1,395)
Total comprehensive loss for the period	–	(1,395)	–	(6,331)	(7,726)
Dividends declared	–	–	6,771	(6,771)	–
Dividends paid	–	–	(13,849)	–	(13,849)
At 30 September 2015	<u>229,386</u>	<u>(1,395)</u>	<u>6,771</u>	<u>3,495,597</u>	<u>3,730,359</u>
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>25,236</u>	<u>3,359,177</u>	<u>3,613,799</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	31,830	63,389
Net cash generated from investing activities	106,029	70,757
Net cash used in financing activities	<u>(158,056)</u>	<u>(20,377)</u>
Net (decrease) increase in cash and cash equivalents	(20,197)	113,769
Cash and cash equivalents at beginning of the period	<u>46,087</u>	<u>19,890</u>
Cash and cash equivalents at end of the period	<u><u>25,890</u></u>	<u><u>133,659</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u><u>25,890</u></u>	<u><u>133,659</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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”).

The financial information relating to the year ended 31 March 2015 that is included in the half-year Interim Report 2015 announcement 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 will deliver the financial statements for the year ended 31 March 2015 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”)

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 2015.

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

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

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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.

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.

HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 11 (Amendments)	Accounting for Acquisition of Interest in Joint Operations ¹
HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements ¹
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

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), valuation losses 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, available-for-sale financial assets, bank balances and cash, fair value changes in investment in financial assets held for trading and available-for-sale financial assets, dividend income and interest income.

4. OPERATING SEGMENTS (Continued)

Business information

For the six months ended 30 September 2015

	Property Investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	51,898	–	51,898
Property expenses	<u>(627)</u>	<u>–</u>	<u>(627)</u>
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 financial assets	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	<u>(13,514)</u>	<u>(557)</u>	<u>(14,071)</u>
(Loss) profit from operations	(17,393)	12,003	(5,390)
Finance costs	(813)	(110)	(923)
Share of results of associates	<u>7,300</u>	<u>–</u>	<u>7,300</u>
(Loss) profit before taxation	(10,906)	11,893	987
Taxation	<u>(7,247)</u>	<u>(71)</u>	<u>(7,318)</u>
(Loss) profit for the period	<u><u>(18,153)</u></u>	<u><u>11,822</u></u>	<u><u>(6,331)</u></u>

At 30 September 2015

	Property Investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	3,592,657	205,954	3,798,611
Segment liabilities	<u>(68,181)</u>	<u>(71)</u>	<u>(68,252)</u>
Net assets	<u><u>3,524,476</u></u>	<u><u>205,883</u></u>	<u><u>3,730,359</u></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>

4. OPERATING SEGMENTS (Continued)

Business information (Continued)

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)
Revenue	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 31 March 2015

	Property Investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	3,659,266	304,261	3,963,527
Segment liabilities	(173,688)	(37,905)	(211,593)
Net assets	<u>3,485,578</u>	<u>266,356</u>	<u>3,751,934</u>
Other segment information:			
Depreciation and amortisation	2,526	–	2,526
Addition to property, plant and equipment	<u>1,149</u>	<u>–</u>	<u>1,149</u>

4. OPERATING SEGMENTS (Continued)

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 revenue arising from rental income of HK\$51.9 million (2014: HK\$48.3 million) were rental revenue of HK\$10.9 million (2014: HK\$9.2 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. (LOSS) PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit from operations has been arrived at after charging:		
Auditor's remuneration	230	205
Depreciation	1,250	1,063
Amortisation on leasehold land	46	439
Exchange loss	(638)	29
Staff costs	3,932	2,822
Mandatory provident fund contributions	16	71
Total staff costs	3,948	2,893
and after crediting:		
Dividend income	434	310
Gain on disposal of a property	-	67,769
Gross rental income from investment properties	51,898	48,271
Less:		
Direct operating expenses from investment properties that generated rental income	(465)	(551)
Direct operating expenses from investment properties that did not generate rental income	(162)	(173)
Net rental income	51,271	47,547

7. BENEFITS AND INTERESTS OF DIRECTORS

Disclosures pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

(a) Director's emoluments and other benefits

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Director's emoluments	<u>3,865</u>	<u>4,246</u>

(b) Director's interests in transactions, arrangements and contracts of significance

No significant transactions, arrangements or contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the period or at any time during the period.

(c) Director's rights to acquire shares or debentures

At no time during the period was the Company a party to any arrangement to enable the Company's director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by him.

8. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	<u>923</u>	<u>1,237</u>

9. TAXATION

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	5,440	5,338
Under provision in previous periods	901	–
Other jurisdiction		
Under provision in previous periods	<u>–</u>	<u>2</u>
	6,341	5,340
Deferred tax expenses		
Current period	<u>977</u>	<u>807</u>
	<u>7,318</u>	<u>6,147</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.

10. DIVIDENDS

On 21 August 2015, the final dividend of HK4.5 cents per share were paid to the shareholders for the financial year ended 31 March 2015.

The Board of Directors has declared an interim dividend of HK2.2 cents (2014: an interim dividend of HK2.2 cents and a special dividend of HK6 cents) per share amounting to HK\$6,771,000 payable on or about 9 December 2015 to the shareholders of the Company whose names appear on the Register of Members of the Company on 2 December 2015.

11. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the loss for the period of HK\$6,331,000 (2014: profit of HK\$103,372,000) and on the weighted average number of 307,758,522 (2014: 307,758,522) ordinary shares in issue during the period.

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

12. INVESTMENT PROPERTIES

The Group's investment properties were revalued at 30 September 2015, except for the investment property located in Canada, by Jones Lang LaSalle Limited, an independent firm of professional qualified valuer, on market basis, in accordance with valuation standards on Properties issued by Hong Kong Institute of Surveyors.

The investment property located in Canada of the Group was not revalued at 30 September 2015 by independent valuer. 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 property in Canada did not differ significantly from that which had been determined using fair values at end of the reporting period.

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

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired motor vehicles with an aggregate amount of approximately HK\$2,688,000 (2014: 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).

14. INTEREST IN ASSOCIATES

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Share of net assets	408,303	401,003
Amounts due from an associated	(3,503)	247
	<u>404,800</u>	<u>401,250</u>

14. INTEREST IN ASSOCIATES (Continued)

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Total assets	888,559	883,729
Total liabilities	(71,953)	(81,723)
Net assets	816,606	802,006
Share of net assets of associates	408,303	401,003
	Six months ended 30 September 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	16,388	13,908
Profit and total comprehensive income for the period	14,600	7,822
Share of results of associates	7,300	3,911

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Analysis of available-for-sale financial assets		
Club debentures	761	2,161
Listed overseas debt securities	186,062	–
Listed overseas equity securities	7,917	–
	194,740	2,161

16. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables was rental receivable of HK\$156,000 (31 March 2015: HK\$220,000) 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 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 values.

17. FINANCIAL ASSETS HELD FOR TRADING

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Analysis of financial assets held for trading		
Listed overseas debt securities	–	249,500
Listed overseas equity securities	–	8,125
Listed Hong Kong equity securities	–	25,934
	<u>–</u>	<u>283,559</u>

18. TRADE AND OTHER PAYABLES

Included in trade and other payables was prepaid rental from tenants of HK\$5,044,000 (31 March 2015: HK\$3,552,000).

At 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 values.

19. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Amount classified under Current Liabilities	–	60,000
Amount classified under Non-Current Liabilities	–	81,000
	<u>–</u>	<u>141,000</u>

Bank loans were denominated in Hong Kong dollars with variable interest rate from 1.45% to 2.25% over HIBOR per annum.

20. SHARE CAPITAL

	30 September 2015		31 March 2015	
	Number of ordinary shares no par value '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of ordinary shares no par value '000 (Audited)	Nominal value HK\$'000 (Audited)
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 2015.

21. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$327,000 (2014: HK\$204,500) 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\$3,865,000 (2014: HK\$4,246,000).

22. PLEDGE OF ASSETS

At end of the reporting period, the Group's banking facilities amounted to HK\$50,000,000 (31 March 2015: HK\$186,000,000).

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

- i) Investment properties with an aggregate carrying amounts of HK\$449,400,000 (31 March 2015: HK\$490,700,000);
- ii) Financial assets held for trading with a carrying amounts of HK\$Nil (31 March 2015: HK\$128,428,000).

At end of the reporting period, the Group had not utilised any of the banking facilities (31 March 2015: HK\$141,000,000).

23. CONTINGENT LIABILITIES

At 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:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Associates of the Group	28,500	30,000

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.

24. CAPITAL COMMITMENTS

At end of the reporting period, the Group had no capital commitments (31 March 2015: HK\$2,321,000).

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within one year	1,140	1,140
In the second to fifth year inclusive	<u>–</u>	<u>570</u>
	<u>1,140</u>	<u>1,710</u>

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.31% (31 March 2015: 3.11%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within one year	96,062	79,908
In the second to fifth year inclusive	<u>44,070</u>	<u>42,352</u>
	<u>140,132</u>	<u>122,260</u>

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial assets held for trading are measured at fair value at 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).

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value as at 30 September 2015 HK\$'000 (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable to fair value
Available-for-sale financial assets					
– Club debentures	761	Level 3	N/A	Discounted cash flow valuations	N/A
– Debt securities	186,062	Level 1	Quoted market ask	N/A	N/A
– Equity securities	<u>7,917</u>	Level 1	prices in active markets	N/A	N/A
Total	<u><u>194,740</u></u>				
Financial assets held for trading					
– Debt securities	–	Level 1	Quoted market ask	N/A	N/A
– Equity securities	<u>–</u>	Level 1	prices in active markets	N/A	N/A
Total	<u><u>–</u></u>				
	Fair value as at 30 September 2014 HK\$'000 (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable to fair value
Available-for-sale financial assets					
– Club debentures	2,161	Level 3	N/A	Discounted cash flow valuations	N/A
– Debt securities	–	Level 1	Quoted market ask	N/A	N/A
– Equity securities	<u>–</u>	Level 1	prices in active markets	N/A	N/A
Total	<u><u>2,161</u></u>				
Financial assets held for trading					
– Debt securities	162,542	Level 1	Quoted market ask	N/A	N/A
– Equity securities	<u>31,219</u>	Level 1	prices in active markets	N/A	N/A
Total	<u><u>193,761</u></u>				

There were no transfers between Levels 1, 2 and 3 in both periods.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.2 cents per share for the six months ended 30 September 2015. The interim dividend will be paid on or about Wednesday, 9 December 2015 to shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 2 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 30 November 2015 to Wednesday, 2 December 2015, 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, 27 November 2015.

BUSINESS REVIEW AND PROSPECT

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.

Rental operation

The Group's gross rental income increased by 7.5% to HK\$51.9 million. Both retail shops and office properties continued to attain rental income at higher level during the period. The Group's retail shops recorded a moderate increase in rental rates by 12.2% upon renewal of existing leases. However, the favourable effect was partially offset by those tenant moving out during the period. The increase in rental rates for office properties during the period was mild. The rental portfolio achieved a record high occupancy rate with an average of 98.7% during the period.

The Group's share of gross rental income from an associate remained stable at an amount of HK\$7.2 million.

Treasury investment operation

The Group continued to invest in debt securities and equity securities during the period. The investments generated interest income and dividend income amounted to HK\$10.3 million, a 80.7% increase compared to prior period.

At 30 September 2015, the Group held debt and equity securities investments at same level of previous year-end at HK\$194.0 million.

BUSINESS REVIEW AND PROSPECT (Continued)

Prospect

The market anticipates that the US Federal Reserve will raise the interest rate later this year but actual time and pace remains unclear, mainly depends on the upcoming economic data. On the other hand, other major central banks (in particular the European Central Bank and Bank of Japan) continue to rely on monetary easing measures. Recently, with escalating debt crisis in Greece and adjustment in China stock market, it casts further uncertainties on global economic growth as well as the monetary policy going forward. Against the background of a weak global demand, Hong Kong is unlikely to stay immune to the situation but will experience slower than expected growth as other Asian countries.

With the launch and implementation of various favourable policies in China, such as Shanghai-Hong Kong Stock Connect, One Belt and One Road, Asian Infrastructure Investment Bank and Shenzhen-Hong Kong Stock Connect, it provides huge opportunities for the economic growth of Hong Kong while at the same time drives the demand for commercial properties and supports prevailing market rate of commercial office properties. The Group continued to record a moderate increase in rental income from commercial office properties during the period and it is expected that the rental market for commercial properties will remain stable.

As a result of the continuous drop in the number of tourists visiting Hong Kong, local retail sector records slower growth which in turn increases the downward pressure on rent. However, the Group's commercial shop tenants are not confined to a single industry and our rental from commercial shop space recorded a moderate growth during the period. It is expected that the continued slowdown in the retail sector will only slightly affect the overall rental income of the Group in the second half of the year.

Affected by the flow of capital as a result of external uncertainties, the local property market has experienced continued adjustment. Therefore, the Group will continue to maintain a low level of borrowing and a healthy interest coverage ratio. It will continue to adopt a prudent approach in exploring potential opportunity for the Group and to counter any difficulties that may arise from the above uncertainties.

Results

The Group's loss for the six months ended 30 September 2015 amounted to HK\$6.3 million (2014: profit of HK\$103.4 million), a significant deteriorate in result as compared from the same period of last year.

The Group's turnover which represents gross rental income for the six months ended 30 September 2015 amounted to HK\$51.9 million (2014: HK\$48.3 million), an increase of 7.5% from the same period of last year.

The Group's interest and dividend income for the six months ended 30 September 2015 amounted to HK\$10.3 million (2014: HK\$5.7 million), an increase of 80.7% from the same period of last year.

The Group's loss attributable to the equity holders was due to decrease in fair value of investment properties of HK\$56.6 million (2014: Nil) and an one-off gain on disposal of the residential property in HighCliff amounted to HK\$67.8 million recorded in prior period.

BUSINESS REVIEW AND PROSPECT (Continued)

Results (Continued)

Loss per share for the six months ended 30 September 2015 was HK2.06 cents (2014: earnings per share of HK33.59 cents), a decrease of HK35.65 cents from the same period of last year. An interim dividend of HK2.2 cents (2014: interim dividend of HK2.2 cents and a special dividend of HK6.0 cents) per share have been declared, a decrease of HK6.0 cents from the same period of last year.

Liquidity, Bank Borrowings and Finance Costs

At 30 September 2015, the Group's net current liabilities including bank balances and cash of HK\$25.9 million amounted to HK\$11.1 million (31 March 2015: net current assets of HK\$231.0 million), an decrease of HK\$242.1 million from the previous year-end. The increase in net current liabilities was due to the repayment of secured bank loans during the period and no financial assets held for trading as at period ended.

At 30 September 2015, the Group's banking facilities amounting to HK\$50.0 million (31 March 2015: HK\$186.0 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\$449.4 million (31 March 2015: HK\$619.1 million). At 30 September 2015, none of these facilities was utilised (31 March 2015: HK\$141.0 million).

At 30 September 2015, there was no bank borrowings (31 March 2015: outstanding bank borrowings net of bank balances and cash was HK\$94.9 million), a decrease of HK\$94.9 million from the previous year-end. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was nil (31 March 2015: 2.5%).

Of the total bank loans at 31 March 2015, HK\$60.0 million or 42.6% were repayable within one year, HK\$46.0 million or 32.6% were repayable after one year but within two years, HK\$35.0 million or 24.8% 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 2015 were HK\$0.9 million (2014: HK\$1.2 million), a decrease of 25% 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 2015, the Group's shareholders' funds amounted to HK\$3,730.4 million (31 March 2015: HK\$3,751.9 million), a decrease of HK\$21.5 million from the previous year-end. The net asset value per share was HK\$12.1 (31 March 2015: HK\$12.2).

At 30 September 2015, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2015, the total number of staff of the Group was 16 (2014: 16). The total staff costs including Directors' emoluments amounted to HK\$7.8 million (2014: HK\$7.1 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2015, 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 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 2015 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2015, 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 <i>(Note 5)</i>	5,461,200	25,968,494	8.44
	Interest of spouse	Family interest <i>(Note 5)</i>	8,856,494		
	Interest of controlled corporation	Corporate interest <i>(Note 5)</i>	11,650,800		
Kew Youn Lunn	Beneficial owner	Personal interest <i>(Note 6)</i>	2,380,800	25,968,494	8.44
	Interest of spouse	Family interest <i>(Note 6)</i>	5,461,200		
	Interest of controlled corporation	Corporate interest <i>(Note 6)</i>	18,126,494		

Notes:

1. 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”.
2. 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.
3. Credit Suisse Trust Limited as trustee of Sow Pin Trust 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 Brock Nominees Limited 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	0.00
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 2015, 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 2015.

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 2015 and the 2015/2016 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2015, 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

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 2015.

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 2015.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 13 November 2015