



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2018/2019 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow

Chairman and Managing Director

Chan Yan Tin, Andrew

Chan Yan Wai, Emily

Non-Executive Director

Chan Yan Mei, Mary-ellen

Independent Non-Executive Directors

Chan Kwok Wai

Cheung Chong Wai, Janet

Tse Lai Han, Henry

AUDIT COMMITTEE

Chan Kwok Wai

(Chairman)

Cheung Chong Wai Janet

Tse Lai Han, Henry

REMUNERATION COMMITTEE

Chan Kwok Wai

(Chairman)

Chan Yan Tin, Andrew

Tse Lai Han, Henry

NOMINATION COMMITTEE

Chan Kwok Wai

(Chairman)

Chan Yan Wai, Emily

Tse Lai Han, Henry

PRINCIPAL BANKERS

Credit Suisse Group AG

Hang Seng Bank Limited

Nanyang Commercial Bank, Ltd.

The Bank of East Asia, Limited

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

Wan Chai, Hong Kong

COMPANY SECRETARY

Lee Ka Man

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 financial results for the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2018, 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 2018

		Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	39,303	41,043
Property expenses		(571)	(518)
Gross profit		<u>38,732</u>	40,525
Unrealised gain on revaluation of financial assets at fair value though profit or loss		343	–
Realised loss on disposal of financial assets at fair value through other comprehensive income		(23,087)	–
Realised gain on disposal of available-for-sale financial assets		–	5,214
Dividend income		1,169	1,637
Interest income		21,339	21,073
Other operating income		2,075	1,756
Administrative expenses		<u>(17,458)</u>	(16,162)
Profit from operations	5	23,113	54,043
Finance costs	6	(3,186)	(1,860)
Share of results of associates, net of tax	12	<u>3,318</u>	3,386
Profit before taxation		23,245	55,569
Taxation	7	<u>(4,624)</u>	(6,525)
Profit for the period attributable to owners of the Company		<u>18,621</u>	49,044
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net loss arising on revaluation of financial assets at fair value through other comprehensive income		(21,307)	–
Net gain arising on revaluation of available-for-sale financial assets		–	13,312
Release of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income		(5,437)	–
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		<u>–</u>	(4,794)
Other comprehensive (expense) income, net of tax		<u>(26,744)</u>	8,518
Total comprehensive (expense) income for the period attributable to owners of the Company		<u>(8,123)</u>	<u>57,562</u>
Earnings per share			
Basic and diluted	9	<u>HK6.05 cents</u>	<u>HK15.94 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	2,968,412	2,968,412
Property, plant and equipment	11	5,369	6,368
Leasehold land		14,876	14,922
Interests in associates	12	363,304	363,174
Available-for-sale financial assets	13	–	604,439
Financial assets at fair value through other comprehensive income	13	411,984	–
Financial assets at fair value through profit or loss	13	430	–
Deferred rental income		93	131
		3,764,468	3,957,446
Current assets			
Trade and other receivables	14	13,069	16,737
Available-for-sale financial assets redeemable within one year	13	–	80,761
Financial assets at fair value through other comprehensive income redeemable within one year	13	9,098	–
Financial assets at fair value through profit or loss	13	22,683	22,113
Leasehold land – current portion		92	92
Deferred rental income – current portion		276	422
Tax recoverable		2,396	4,730
Pledged bank deposits		44,269	1,292
Bank balances and cash		201,722	63,339
		293,605	189,486
Current liabilities			
Other payables and receipts in advance		8,547	7,911
Rental deposits from tenants		25,704	23,921
Tax liabilities		4,313	2,800
Secured bank borrowings – due within one year	15	12,514	82,405
		51,078	117,037
Net current assets		242,527	72,449
Total assets less current liabilities		4,006,995	4,029,895
Non-current liabilities			
Secured bank borrowings – due after one year	15	261,672	267,614
Deferred tax liabilities		27,165	26,426
		288,837	294,040
Net assets		3,718,158	3,735,855
Capital and reserves			
Share capital	16	229,386	229,386
Reserves		3,488,772	3,506,469
Total equity		3,718,158	3,735,855

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 31 March 2018 (Audited)	229,386	14,908	9,848	3,481,713	3,735,855
Adjustments (<i>note 2(ii)</i>)	–	–	–	274	274
At 1 April 2018 (Restated)	<u>229,386</u>	<u>14,908</u>	<u>9,848</u>	<u>3,481,987</u>	<u>3,736,129</u>
Profit for the period	–	–	–	18,621	18,621
Other comprehensive expense:					
Net loss arising on revaluation of financial assets at fair value through other comprehensive income	–	(21,307)	–	–	(21,307)
Release of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income	–	(5,437)	–	–	(5,437)
Total comprehensive expense for the period	–	<u>(26,744)</u>	–	<u>18,621</u>	<u>(8,123)</u>
Dividends declared (<i>note 8</i>)	–	–	6,771	(6,771)	–
Dividends paid	–	–	(9,848)	–	(9,848)
At 30 September 2018 (Unaudited)	<u>229,386</u>	<u>(11,836)</u>	<u>6,771</u>	<u>3,493,837</u>	<u>3,718,158</u>
At 1 April 2017 (Audited)	<u>229,386</u>	<u>17,346</u>	<u>9,848</u>	<u>3,388,077</u>	<u>3,644,657</u>
Profit for the period	–	–	–	49,044	49,044
Other comprehensive income:					
Net gain arising on revaluation of available-for-sale financial assets	–	13,312	–	–	13,312
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(4,794)	–	–	(4,794)
Total comprehensive income for the period	–	<u>8,518</u>	–	<u>49,044</u>	<u>57,562</u>
Dividends declared (<i>note 8</i>)	–	–	6,771	(6,771)	–
Dividends paid	–	–	(9,848)	–	(9,848)
At 30 September 2017 (Unaudited)	<u>229,386</u>	<u>25,864</u>	<u>6,771</u>	<u>3,430,350</u>	<u>3,692,371</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	27,930	25,480
Profits tax paid	(37)	(948)
Net cash from operating activities	27,893	24,532
Investing activities		
Interest received	24,073	17,456
Dividend received from investments	1,169	1,637
Purchase of financial assets at fair value through profit or loss	(227)	–
Purchase of financial assets at fair value through other comprehensive income	(96,410)	–
Purchase of available-for-sale financial assets	–	(143,658)
Proceeds from disposal of financial assets at fair value through other comprehensive income	310,541	–
Proceeds from disposal of available-for-sale financial assets	–	20,397
Purchase of property, plant and equipment	–	(5)
(Placement) withdrawal of pledged bank deposits	(42,977)	2,238
Net cash from (used in) investing activities	196,169	(101,935)
Financing activities		
Dividends paid	(9,848)	(9,848)
Interest paid	(3,186)	(3,309)
New bank borrowings raised	190,000	505,000
Repayment of bank borrowings	(265,833)	(384,004)
Advance from associates	3,188	4,430
Net cash (used in) from financing activities	(85,679)	112,269
Net increase in cash and cash equivalents	138,383	34,866
Cash and cash equivalents at beginning of period	63,339	33,842
Cash and cash equivalents at end of period		
Represented by bank balances and cash	201,722	68,708

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL

The Company is a public listed company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong.

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

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

The condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the year ended 31 March 2018 that is included in the Interim Report 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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

The condensed consolidated financial statements for the six months ended 30 September 2018 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

Impacts and changes in accounting policies of application of HKFRS 9 “Financial instruments”

In the current period, the Group has applied HKFRS 9 “Financial instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applying the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and not apply the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial instruments: recognition and measurement”.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business combinations” applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

Impacts and changes in accounting policies of application of HKFRS 9 “Financial instruments” (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application, the Group may make irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “dividend income” line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “unrealised gain on revaluation of financial assets at FVTPL” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed as below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

Impacts and changes in accounting policies of application of HKFRS 9 “Financial instruments” (Continued)

Classification and measurement of financial assets (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposits, bank balances and cash, financial assets at FVTPL and financial assets at FVTOCI). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

Impacts and changes in accounting policies of application of HKFRS 9 “Financial instruments” (Continued)

Classification and measurement of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flow that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed as below.

Summary of effects arising from initial application of HKFRS 9

(i) Available-for-sale (“AFS”) financial assets

Reclassification from AFS financial assets to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group’s club debentures of approximately HK\$156,000 were reclassified from AFS financial assets to financial assets at FVTPL. The fair value gain of approximately HK\$300,000 relating to the club debentures were recognised in profit or loss.

Reclassification from AFS debt securities to financial assets at FVTOCI

Listed bonds with a fair value of approximately HK\$685,044,000 were reclassified from AFS to financial assets at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related net fair value gain of approximately HK\$14,908,000 previously accumulated up to 31 March 2018 continued to accumulate in the investment revaluation reserve as at 1 April 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

Impacts and changes in accounting policies of application of HKFRS 9 “Financial instruments” (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

(ii) Impairment under ECL model

Loss allowances for other financial assets at amortised cost, comprising mainly other receivables, pledged bank deposits and bank balances and cash, and debt instruments at FVTOCI are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

As at 1 April 2018, credit loss allowance of HK\$26,000 in aggregate for financial assets at FVTPL was recognised against accumulated profits.

The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	AFS financial assets HK\$'000	Financial assets at FVTOCI HK\$'000	Financial assets at FVTPL HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000
Closing balance at 31 March 2018					
– HKAS 39 (audited)	685,200	–	22,113	14,908	3,481,713
Effect arising from initial application of HKFRS 9:					
Reclassification					
From AFS financial assets	(685,200)	685,044	156	–	–
Remeasurement					
Impairment under ECL model	–	–	(26)	–	(26)
From cost to fair value	–	–	300	–	300
Opening balance at 1 April 2018	<u>–</u>	<u>685,044</u>	<u>22,543</u>	<u>14,908</u>	<u>3,481,987</u>

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in those condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENTS

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

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

For treasury investment, the segment represents the investment in debt and equity securities. Financial information is provided to the Board on a company by company basis. The information provided includes unrealised gain on revaluation of financial assets at FVTPL, realised gain (loss) on disposal of financial assets at FVTOCI, dividend income from equity securities and interest income from debt securities.

Business information

For the six months ended 30 September 2018

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	39,303	–	39,303
Property expenses	(571)	–	(571)
Gross profit	38,732	–	38,732
Unrealised gain on revaluation of financial assets at FVTPL	–	343	343
Realised loss on disposal of financial assets at FVTOCI	–	(23,087)	(23,087)
Dividend income	–	1,169	1,169
Interest income	2	21,337	21,339
Other operating income (expense)	3,088	(1,013)	2,075
Administrative expenses	(15,727)	(1,731)	(17,458)
Profit (loss) from operations	26,095	(2,982)	23,113
Finance costs	(1)	(3,185)	(3,186)
Share of results of associates, net of tax	3,318	–	3,318
Profit (loss) before taxation	29,412	(6,167)	23,245
Taxation	(3,439)	(1,185)	(4,624)
Profit (loss) for the period	25,973	(7,352)	18,621

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 30 September 2018

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	3,700,282	355,395	4,055,677
Segment liabilities	(66,731)	(270,788)	(337,519)
Net assets	<u>3,633,551</u>	<u>84,607</u>	<u>3,718,158</u>
Other segment information:			
Depreciation and amortisation	<u>1,045</u>	<u>–</u>	<u>1,045</u>

For the six months ended 30 September 2017

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 31 March 2018

	Property investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	3,382,313	764,619	4,146,932
Segment liabilities	<u>(59,951)</u>	<u>(351,126)</u>	<u>(411,077)</u>
Net assets	<u>3,322,362</u>	<u>413,493</u>	<u>3,735,855</u>
Other segment information:			
Depreciation and amortisation	2,669	–	2,669
Addition to property, plant and equipment	<u>732</u>	<u>–</u>	<u>732</u>

Geographical information

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

Information on major customers

Included in revenues arising from rental income of approximately HK\$39.3 million (six months ended 30 September 2017: approximately HK\$41.0 million) are rental income of approximately HK\$4.1 million (six months ended 30 September 2017: approximately HK\$4.1 million) which arose from the Group's largest tenant.

4. REVENUE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit from operations has been arrived at after charging:		
Auditor's remuneration	240	230
Depreciation of property, plant and equipment	999	1,316
Amortisation of leasehold land	46	46
Exchange loss, net	1,066	219
Realised loss on disposal of financial assets at FVTOCI	23,087	–
Staff costs (including directors' emoluments)	9,933	9,654
Mandatory provident fund ("MPF") contributions	123	128
	<hr/>	<hr/>
Total staff costs	10,056	9,782
and after crediting:		
Dividend income	1,169	1,637
Realised gain on disposal of AFS financial assets	–	5,214
Unrealised gain on revaluation of financial assets at FVTPL	343	–
Gross rental income from investment properties	39,303	41,043
Less:		
Direct operating expenses from investment properties that generated rental income	(280)	(198)
Direct operating expenses from investment properties that did not generate rental income	(291)	(320)
	<hr/>	<hr/>
Net rental income	38,732	40,525
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest expense on bank borrowings	3,186	1,860
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. TAXATION

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	3,885	5,560
Deferred taxation		
Current period	739	965
	<u>4,624</u>	<u>6,525</u>

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period.

8. INTERIM DIVIDENDS

On 31 August 2018, the final dividend of HK3.2 cents (2017: HK3.2 cents) per share were paid to the shareholders for the financial year ended 31 March 2018.

For the six months ended 30 September 2018, the Board of Directors has declared an interim dividend of HK2.2 cents (six months ended 30 September 2017: an interim dividend of HK2.2 cents) per share amounting to approximately HK\$6,771,000 (six months ended 30 September 2017: approximately HK\$6,771,000) payable to the shareholders of the Company.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to owners of the Company of HK\$18,621,000 (six months ended 30 September 2017: HK\$49,044,000) and on number of 307,758,522 (30 September 2017: 307,758,522) ordinary shares in issue during the period.

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

10. INVESTMENT PROPERTIES

The Group's investment properties were not revalued at 30 September 2018. The directors were aware of the possible changes in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from that which had been determined using fair values at 31 March 2018.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2018	31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Carrying amounts at beginning of the period/year	6,368	8,213
Additions	–	732
Depreciation for the period/year	(999)	(2,577)
	<u>6,368</u>	<u>8,213</u>
Carrying amounts at end of the period/year	<u><u>5,369</u></u>	<u><u>6,368</u></u>

12. INTERESTS IN ASSOCIATES

	30 September 2018	31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Share of net assets	371,125	367,807
Amounts due to associates	(7,821)	(4,633)
	<u>371,125</u>	<u>367,807</u>
	<u><u>363,304</u></u>	<u><u>363,174</u></u>

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

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

Financial position as at 30 September 2018

	30 September 2018	31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current assets	19,259	8,253
Non-current assets	747,995	752,753
Current liabilities	(10,895)	(11,446)
Non-current liabilities	(14,109)	(13,946)
	<u>747,995</u>	<u>752,753</u>
Net assets	<u><u>742,250</u></u>	<u><u>735,614</u></u>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	<u><u>371,125</u></u>	<u><u>367,807</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

12. INTERESTS IN ASSOCIATES (Continued)

Profit or loss and other comprehensive income for the six months ended 30 September 2018

	Six months ended	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	<u>13,185</u>	<u>13,634</u>
Profit for the period, net of tax	6,635	6,771
Other comprehensive income	—	—
Profit and total comprehensive income for the period	<u>6,635</u>	<u>6,771</u>
Share of results of associates comprises:		
Share of profits of associates	3,887	4,072
Share of taxation of associates	<u>(569)</u>	<u>(686)</u>
	<u>3,318</u>	<u>3,386</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. FINANCIAL ASSETS

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
Non-current:		
Financial assets at FVTOCI		
– Listed debt securities (<i>note</i>)	411,984	–
Financial assets at FVTPL		
– Unlisted club debenture	430	–
AFS financial assets		
– Listed debt and equity securities	–	604,283
– Unlisted club debenture	–	156
	<u>–</u>	<u>604,439</u>
	412,414	604,439
	<u>412,414</u>	<u>604,439</u>
Current:		
Financial assets at FVTOCI		
– Listed debt securities (<i>note</i>)	9,098	–
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	4,121	4,301
– Listed equity securities in overseas	3,065	2,772
– Listed investment funds	15,497	15,040
	<u>22,683</u>	<u>22,113</u>
AFS financial assets		
– Listed debt and equity securities	–	80,761
	<u>31,781</u>	<u>102,874</u>

Note:

Financial assets at FVTOCI include debt securities held by the Group and which are listed in The Stock Exchange of Hong Kong Limited and/or an overseas exchange, the issuers of which include those that are engaged in, among others, the aviation, banking and real estate businesses. Such debt securities' maturity dates vary from 2019 to 2025 and include those that are perpetual.

As of 30 September 2018, such financial assets at FVTOCI constitute approximately 10.38% of the total assets of the Group and no single debt security constituting such financial assets at FVTOCI have an outstanding amount representing over 5% of the Group's total assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables were rental receivables of approximately HK\$17,000 (31 March 2018: approximately HK\$436,000) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants. The aging of rental receivables based on invoice date is as below:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Within 30 days	17	–
31 – 60 days	–	436
	<u>17</u>	<u>436</u>

15. SECURED BANK BORROWINGS

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	12,514	82,405
More than one year but not exceeding two years	12,730	12,613
More than two years but not exceeding five years	39,562	39,223
More than five years	209,380	215,778
	<u>274,186</u>	<u>350,019</u>
Less: Amounts due within one year shown under current liabilities	<u>12,514</u>	<u>82,405</u>
Amounts due after one year	<u>261,672</u>	<u>267,614</u>

All of the bank borrowings were denominated in Hong Kong dollars with variable interest rates ranging from 1.2% to 1.25% over HIBOR per annum (31 March 2018: from 1.2% to 1.5% over HIBOR per annum).

16. SHARE CAPITAL

	30 September 2018		31 March 2018	
	Number of ordinary shares (Unaudited)	Amount HK\$'000 (Unaudited)	Number of ordinary shares (Audited)	Amount HK\$'000 (Audited)
Issued and fully paid	<u>307,758,522</u>	<u>229,386</u>	<u>307,758,522</u>	<u>229,386</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income received from associates	1,842	1,598

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	5,229	5,223
MPF contributions	18	14
	5,247	5,237

18. PLEDGE OF ASSETS

At 30 September 2018, the Group's total banking facilities amounted to HK\$1,140,019,000 (31 March 2018: HK\$1,000,019,000). The Group has utilised loan facilities from banks with an amount of approximately HK\$274,186,000 (31 March 2018: approximately HK\$350,019,000).

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

- i) Investment properties with carrying amounts of approximately HK\$1,159,000,000 (31 March 2018: approximately HK\$1,159,000,000);
- ii) Financial assets at FVTOCI with carrying amounts of approximately HK\$389,650,000 (31 March 2018: AFS financial assets of approximately HK\$661,003,000); and
- iii) Bank deposits with carrying amounts of approximately HK\$44,269,000 (31 March 2018: approximately HK\$1,292,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

19. CONTINGENT LIABILITIES

The Company has provided guarantee for an associate to secure a revolving loan of HK\$200,000,000 (31 March 2018: HK\$200,000,000). At 30 September 2018, the associate has not utilised the banking facility.

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

20. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	30 September 2018	31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	1,140	270
In the second to fifth year inclusive	<u>855</u>	<u>–</u>
	<u>1,995</u>	<u>270</u>

Operating lease payments represent rental payables by the Group for its director's quarter. The lease is fixed for two years (31 March 2018: two years).

The Group as lessor

The investment properties of the Group are expected to generate average rental yields of approximately 2.65% (31 March 2018: 2.74%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (31 March 2018: four years).

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

	30 September 2018	31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	59,095	55,083
In the second to fifth year inclusive	<u>40,827</u>	<u>19,019</u>
	<u>99,922</u>	<u>74,102</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

The Group's financial assets at FVTOCI and financial assets at FVTPL 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			Valuation
	30 September	31 March	Fair value	techniques and
	2018	2018	hierarchy	key inputs
	<i>HK\$'000</i>	<i>HK\$'000</i>		
	(Unaudited)	(Audited)		
Financial assets at FVTOCI				
– Listed debt securities	421,082	–	Level 1	Quoted bid prices in active market
Financial assets at FVTPL				
– Listed equity securities	7,186	7,073	Level 1	Quoted bid prices in active market
– Listed investment funds	15,497	15,040	Level 1	Quoted bid prices in active market
– Unlisted club debenture	430	N/A	Level 2	Quoted market prices in secondary market
AFS financial assets				
– Listed debt securities	–	641,738	Level 1	Quoted bid prices in active markets
– Listed equity securities	–	43,306	Level 1	Quoted bid prices in active markets

During the six months ended 30 September 2018, there were no transfers between instrument in Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2018: Nil).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.2 cents per share for the six months ended 30 September 2018. The interim dividend will be paid on or about Wednesday, 12 December 2018 to shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 5 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 3 December 2018 to Wednesday, 5 December 2018, 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, 30 November 2018.

FINANCIAL HIGHLIGHTS

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

In thousands of Hong Kong dollars except per share amounts

		Six months ended	
		30 September	2017
		2018	
For the period	Revenue	39,303	41,043
	Profit for the period attributable to owners of the Company	18,621	49,044
As at 30 September	Capital & reserves attributable to owners of the Company	3,718,158	3,692,371
	Shares in issue (thousands)	307,759	307,759
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	1.00%	2.66%
	Gearing	0.76%	7.09%
Per Share	Net worth per share (HK\$)	12.08	12.00
	Basic earnings per share (HK cents)	6.05	15.94
	Interim dividend declared per share (HK cents)	2.2	2.2

FINANCIAL REVIEW

Financial Results

Revenue

The revenue of the Group for the period remained stable at HK\$39.3 million as compared with prior period (2017: HK\$41.0 million). A slight decrease was primarily due to Group's commercial shops properties recorded a decrease in rental rates upon renewal.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company for the period was HK\$18.6 million.

The decrease in the profit attributable to the owners of the Company was primary due to loss derived from disposal of Group's investment in debt securities.

Earnings per share

Earnings per share amounted to HK6.05 cents (2017: HK15.94 cents).

Financial Resources, Liquidity and Capital Structure

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

At 30 September 2018, the Group's net borrowings amounted to HK\$28.2 million (31 March 2018: HK\$285.4 million) represent bank borrowings of HK\$274.2 million (31 March 2018: HK\$350.0 million) less bank deposits, bank balances and cash of HK\$246.0 million (31 March 2018: HK\$64.6 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 0.76% (31 March 2018: 7.6%).

At 30 September 2018, the Group's total banking facilities amounting to HK\$1,140 million (31 March 2018: HK\$1,000 million) were fully secured by its investment properties, financial assets at fair value through other comprehensive income and bank deposits with an aggregate carrying value amounting to HK\$1,592.9 million (31 March 2018: HK\$1,821.3 million).

	At 30 September 2018 HK\$'000	At 31 March 2018 HK\$'000
Bank loans are repayable as follows:		
On demand or within one year	12,514	82,405
More than one year but not exceeding two years	12,730	12,613
More than two years but not exceeding five years	39,562	39,223
More than five years	209,380	215,778
	<u>274,186</u>	<u>350,019</u>

FINANCIAL REVIEW (Continued)

At 30 September 2018, the current ratio (current assets/current liabilities) of the Group was 5.75 times (31 March 2018: 1.62 times).

Segment information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 3 to the condensed consolidated financial statements on pages 12 to 14.

Risk of Foreign Exchange Fluctuation

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

Pledge of Assets

Details regarding the pledge of assets are set out in note 18 to the condensed consolidated financial statements on page 21.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 19 to the condensed consolidated financial statements on page 22.

Shareholders' Funds

At 30 September 2018, the Group's shareholders' funds amounted to HK\$3,718.2 million (31 March 2018: HK\$3,735.9 million), a decrease of HK\$17.7 million from the previous year end. The net asset value per share was HK\$12.08 (31 March 2018: HK\$12.14).

At 30 September 2018, the Group had no significant exposure to foreign exchange rate fluctuations.

OPERATION REVIEW

Property Investment Operation

- The Group's gross rental income was flat compared to prior period.
- The occupancy rate for the period is 97.3%, a slight increase of 0.6% as compared with last period of 96.7%.
- No fair value loss in the investment properties was reported during the period.
- The Group's share of gross rental income from associates remained stable at an amount of HK\$6.6 million.

OPERATION REVIEW (Continued)

Treasury investment operation

- Interest income and dividend income derived from the Group investment in debt and equity securities remained stable at HK\$22.5 million as compared with prior period (2018: HK\$22.7 million).
- In view of the lingering and developing macroeconomics uncertainty resulting from (among others) the trade war between China and the United States, Brexit negotiations and interest rate hikes, further details of which are disclosed in the Business Outlook section of this interim report, the Group disposed of certain of its investments in debt and equity securities to reduce its exposure to financial risks even at a loss. As a result, a realised loss of approximately HK\$21.6 million and approximately HK\$1.5 million arose from the disposal of certain of the Group's investments in debt and equity securities respectively.
- On 30 September 2018, the Group held debt and equity securities investments of HK\$443.8 million, a 37.3% decrease as compared with year ended at 31 March 2018.

Employees

At 30 September 2018, the total number of staff of the Group was 17 (2017: 17). The total staff costs including Directors' emoluments for the six months ended 30 September 2018 amounted to HK\$9.9 million (2017: HK\$9.7 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

Real estate market conditions in general continued to improve in the first half of 2018. Sale prices and rent for residential properties and prime offices in Hong Kong reached new highs. However, in the second half of the year, there is a future risk of negative effects on business environment from the trade war between China and the United States and uncertainty over Brexit negotiations which may derail a global economic recovery.

Following multiple interest rate hikes by the US and the upward interest rate cycle in Hong Kong, the interest rate is expected to rise continually, which will continuously put pressure on local real estate market. In addition, the weakening of the Chinese yuan against the Hong Kong dollar and concerns over a potential slowdown of China's economy would also dent Chinese tourist spending in Hong Kong and pose challenges to the steady recovery of Hong Kong's retail leasing market.

Notwithstanding the lingering macroeconomic uncertainties, a solid job market and an increase in public spending by the government should continue to render support to Hong Kong's economy and hence to local consumption.

The management remains prudent on the business outlook for the second half of 2018. As always, with a good financial position, the Group is well-positioned to respond to the changing economic environment. The Group would keep in view the local and overseas market, and seek opportunities to acquire attractive projects as long-term investments with a view of generating better returns for shareholders and sustaining profitable growth in the long term.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2018, 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:

(i) Interest in the Company (long position)

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 Wai, Emily	Beneficiary of a trust	Other interest (Notes 2 & 4)	171,736,896	171,736,896	55.80
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other interest (Notes 2 & 5)	171,736,896	171,736,896	55.80

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 Wai, Emily 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 Wai, Emily is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.
5. 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.

(ii) Interest in an associated corporation of the Company (long position)

Name of Director	Named of the associated corporation	Capacity	Nature of interests
Chan Yan Wai, Emily	Win Easy Development Limited	Interest of Controlled Corporation	Corporate Interest

Note: The issued share capital of Win Easy Development Limited is beneficially owned as to 50% by the Company and as to 50% by Kotime Properties Limited which is owned as to 10% by Fortman Investments Limited, a company wholly owned by Ms. Chan Yan Wai, Emily.

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 2018 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2018, 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 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	Interest of controlled corporation	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
Beyers 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
Grand Fort Investments Limited	Beneficial owner	Corporate interest	61,051,277	61,051,277	19.84
Law Fei Shing	Interest of controlled corporation	Corporate interest (Note 5)	61,051,277	61,051,277	19.84
Chim Pui Chung	Interest of controlled corporation	Corporate interest (Note 5)	61,051,277	61,051,277	19.84

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 in Shares".
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.

SUBSTANTIAL SHAREHOLDERS (Continued)

3. 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	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

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 in Shares".
5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Grand Fort Investments Limited.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 30 September 2018, 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 2018.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 4 October 2018. The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this report, the public float of the Company is approximately 23.44%.

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2018 and the 2018/2019 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2018, the Company has complied with all the applicable code provisions in the Corporate Governance Code (the “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 Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Hoi Sow is the Chairman of the Board and Managing Director of the Company. Mr. Chan has been performing the duties of both the chairman and the chief executive since the establishment of the Company. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. As three of the Board members comprise Independent Non-Executive Directors who are professional accountant, engineer and manager respectively, the balance of power and authority between the Board and the management will not be compromised.

MODEL CODE FOR SECURITIES TRANSACTIONS’ BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

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 2018.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 15 November 2018