



**TERN PROPERTIES COMPANY LIMITED**

STOCK CODE: 277

**2019/2020 INTERIM REPORT**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Chan Hoi Sow

*(Chairman and Managing Director)*

Chan Yan Tin, Andrew

Chan Yan Wai, Emily

*(Vice Chairman)*

#### 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

### AUDITOR

HLM CPA Limited

Room 1501-8, 15/F, Tai Yau Building,

181 Johnston Road,

Wanchai, Hong Kong

### SOLICITORS

Woo, Kwan, Lee & Lo

### WEBSITE

[www.tern.hk](http://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 2019, 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 2019*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2019</b>	2018
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	39,611	39,303
Property expenses		(453)	(571)
Gross profit		<b>39,158</b>	38,732
Unrealised gain on revaluation of financial assets at fair value through profit or loss		9	343
Realised gain on disposal of financial assets at fair value through profit or loss		331	–
Fair value loss on investment properties		(286,600)	–
Realised gain (loss) on disposal of financial assets at fair value through other comprehensive income		4,992	(23,087)
Dividend income		224	1,169
Interest income		20,873	21,339
Other income, gains and losses, net		324	2,075
Administrative expenses		(18,107)	(17,458)
(Loss) profit from operations	5	(238,796)	23,113
Finance costs	6	(3,563)	(3,186)
Share of results of associates, net of tax	12	(15,927)	3,318
(Loss) profit before taxation		(258,286)	23,245
Taxation	7	(4,811)	(4,624)
(Loss) profit for the period attributable to owners of the Company		<b>(263,097)</b>	18,621
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net loss arising on revaluation of debt instruments at fair value through other comprehensive income		(4,231)	(21,307)
Release of investment revaluation reserve upon disposal of debt instruments at fair value through other comprehensive income		(5,893)	(5,437)
Other comprehensive expense, net of tax		(10,124)	(26,744)
Total comprehensive expense for the period attributable to owners of the Company		<b>(273,221)</b>	(8,123)
(Loss) earnings per share			
Basic and diluted	9	<b>(HK88.36 cents)</b>	HK6.05 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	10	2,665,726	2,952,288
Property, plant and equipment	11	4,697	4,425
Leasehold land		14,783	14,830
Interests in associates	12	336,948	355,458
Debt instruments at fair value through other comprehensive income	13	478,981	443,419
Financial assets at fair value through profit or loss	13	430	430
Deferred rental income		330	307
Deferred tax assets		49	36
		<b>3,501,944</b>	<b>3,771,193</b>
<b>Current assets</b>			
Trade and other receivables	14	13,742	13,535
Debt instruments at fair value through other comprehensive income redeemable within one year	13	13,754	–
Financial assets at fair value through profit or loss	13	11,784	7,254
Leasehold land – current portion		92	92
Deferred rental income – current portion		791	463
Tax recoverable		448	1,964
Pledged bank deposits		5,694	149,600
Bank balances and cash		94,971	128,208
		<b>141,276</b>	<b>301,116</b>
<b>Current liabilities</b>			
Other payables and receipts in advance		14,463	9,958
Deposits received from tenants		9,218	12,408
Tax liabilities		3,871	1,434
Secured bank borrowings – due within one year	15	21,966	11,808
		<b>49,518</b>	<b>35,608</b>
<b>Net current assets</b>		<b>91,758</b>	<b>265,508</b>
<b>Total assets less current liabilities</b>		<b>3,593,702</b>	<b>4,036,701</b>
<b>Non-current liabilities</b>			
Deposits received from tenants		13,326	12,335
Secured bank borrowings – due after one year	15	250,502	256,500
Deferred tax liabilities		28,862	27,949
		<b>292,690</b>	<b>296,784</b>
<b>Net assets</b>		<b>3,301,012</b>	<b>3,739,917</b>
<b>Capital and reserves</b>			
Share capital	16	229,386	229,386
Reserves		3,071,626	3,510,531
<b>Total equity</b>		<b>3,301,012</b>	<b>3,739,917</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019 (Audited)	<u>229,386</u>	<u>9,781</u>	<u>9,848</u>	<u>3,490,902</u>	<u>3,739,917</u>
Loss for the period	–	–	–	(263,097)	(263,097)
Other comprehensive expense:					
Net loss arising on revaluation of debt instruments at fair value through other comprehensive income	–	(4,231)	–	–	(4,231)
Release of investment revaluation reserve upon disposal of debt instruments at fair value through other comprehensive income	–	(5,893)	–	–	(5,893)
Total comprehensive expense for the period	<u>–</u>	<u>(10,124)</u>	<u>–</u>	<u>(263,097)</u>	<u>(273,221)</u>
Cancellation of shares during the period (note 16)	–	–	–	(155,836)	(155,836)
Dividends declared (note 8)	–	–	4,990	(4,990)	–
Dividends paid	–	–	(9,848)	–	(9,848)
<b>At 30 September 2019 (Unaudited)</b>	<b><u>229,386</u></b>	<b><u>(343)</u></b>	<b><u>4,990</u></b>	<b><u>3,066,979</u></b>	<b><u>3,301,012</u></b>
At 1 April 2018 (Audited)	<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 gain arising on revaluation of debt instruments at fair value through other comprehensive income	–	(21,307)	–	–	(21,307)
Release of investment revaluation reserve upon disposal of debt instruments at fair value through other comprehensive income	–	(5,437)	–	–	(5,437)
Total comprehensive income (expense) for the period	<u>–</u>	<u>(26,744)</u>	<u>–</u>	<u>18,621</u>	<u>(8,123)</u>
Dividends declared	–	–	6,771	(6,771)	–
Dividends paid	–	–	(9,848)	–	(9,848)
At 30 September 2018 (Unaudited)	<b><u>229,386</u></b>	<b><u>(11,836)</u></b>	<b><u>6,771</u></b>	<b><u>3,493,837</u></b>	<b><u>3,718,158</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2019*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Cash generated from operations	24,036	27,930
Profits tax refunded (paid)	42	(37)
	<b>24,078</b>	<b>27,893</b>
<b>Investing activities</b>		
Interest received	20,533	24,073
Dividend received from investments	224	1,169
Purchase of financial assets at fair value through profit or loss	(61,381)	(227)
Purchase of financial assets at fair value through other comprehensive income	(101,404)	(96,410)
Proceeds from disposal of financial assets at fair value through other comprehensive income	46,956	310,541
Proceeds from disposal of financial assets at fair value through profit or loss	57,181	–
Proceeds from disposal of property, plant and equipments	2	–
Purchase of property, plant and equipment	(815)	–
Placement of pledged bank deposits	–	(42,977)
	<b>(38,704)</b>	<b>196,169</b>
<b>Financing activities</b>		
Dividends paid	(9,848)	(9,848)
Interest paid	(3,576)	(3,186)
New bank borrowings raised	45,000	190,000
Repayment of bank borrowings	(40,840)	(265,833)
Repurchase of own shares	(155,836)	–
Advance from associates	2,583	3,188
	<b>(162,517)</b>	<b>(85,679)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(177,143)</b>	<b>138,383</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>277,808</b>	<b>63,339</b>
<b>Cash and cash equivalents at end of period</b>		
Cash and cash equivalents represented by:		
Bank balances and cash	94,971	201,722
Pledged bank deposits	5,694	–
	<b>100,665</b>	<b>201,722</b>
	<b>100,665</b>	<b>201,722</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2019*

### 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 2019 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 2019 that is included in the Interim Report 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 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 2019 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 2019.

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

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 2019

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

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

#### (a) *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

#### HKFRS 16 “Leases” (Continued)

##### (a) *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

*As a lessee* (Continued)

#### Short-term leases and leases of low-value assets

The Group applies the short term lease recognition exemption to lease of that have a lease term of 12 months or less from the commencement date and do not retain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimation of costs is to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

#### HKFRS 16 “Leases” (Continued)

##### (a) *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

*As a lessee* (Continued)

#### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

#### HKFRS 16 “Leases” (Continued)

##### (a) *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

*As a lessee* (Continued)

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

##### (b) *Lessor accounting*

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

##### (c) *Transition and summary of effects arising from initial application of HKFRS 16*

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

#### HKFRS 16 “Leases” (Continued)

##### (e) *Transition and summary of effects arising from initial application of HKFRS 16* (Continued)

###### *As a lessee* (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has not made any adjustments upon application of HKFRS 16 because the Group elected not to recognise right-of-use assets and liabilities for lease with lease as the outstanding term ends within 12 months of the date of initial application.

### 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), fair value loss on investment properties 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 fair value through profit or loss (“FVTPL”), realised gain (loss) on disposal of financial assets at fair value through other comprehensive income (“FVTOCI”), realised gain on disposal of financial assets at FVTPL, dividend income from equity securities and interest income from debt securities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 3. OPERATING SEGMENTS (Continued)

#### Business information

For the six months ended 30 September 2019

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	39,611	–	39,611
Property expenses	(453)	–	(453)
Gross profit	39,158	–	39,158
Unrealised gain on revaluation of financial assets at FVTPL	–	9	9
Realised gain on disposal of financial assets at FVTPL	–	331	331
Fair value loss on investment properties	(286,600)	–	(286,600)
Realised gain on disposal of financial assets at FVTOCI	–	4,992	4,992
Dividend income	–	224	224
Interest income	924	19,949	20,873
Other income, gains and losses, net	4,624	(4,300)	324
Administrative expenses	(16,345)	(1,762)	(18,107)
Profit (loss) from operations	(258,239)	19,443	(238,796)
Finance costs	–	(3,563)	(3,563)
Share of results of associates, net of tax	(15,927)	–	(15,927)
Profit (loss) before taxation	(274,166)	15,880	(258,286)
Taxation	(3,909)	(902)	(4,811)
Profit (loss) for the period	<u>(278,075)</u>	<u>14,978</u>	<u>(263,097)</u>

At 30 September 2019

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	3,251,355	391,865	3,643,220
Segment liabilities	(69,460)	(272,748)	(342,208)
Net assets	<u>3,181,895</u>	<u>119,117</u>	<u>3,301,012</u>
Other segment information:			
Depreciation and amortisation	<u>590</u>	<u>–</u>	<u>590</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 3. OPERATING SEGMENTS (Continued)

#### Business information (Continued)

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 income, gains and losses, net	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	<u>25,973</u>	<u>(7,352)</u>	<u>18,621</u>

At 31 March 2019

	Property investment HK\$'000 (Audited)	Treasury investment HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	3,344,146	728,163	4,072,309
Segment liabilities	(70,124)	(262,268)	(332,392)
Net assets	<u>3,274,022</u>	<u>465,895</u>	<u>3,739,917</u>
Other segment information:			
Depreciation and amortisation	<u>2,035</u>	<u>–</u>	<u>2,035</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 3. OPERATING SEGMENTS (Continued)

#### 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\$39.6 million (six months ended 30 September 2018: approximately HK\$39.3 million) are rental income of approximately HK\$3.4 million (six months ended 30 September 2018: 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.

### 5. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) profit from operations has been arrived at after charging:		
Auditor's remuneration	238	240
Depreciation of property, plant and equipment	543	999
Amortisation of leasehold land	47	46
Exchange loss, net	1,789	1,066
Realised loss on disposal of financial assets at FVTOCI	–	23,087
Staff costs (including directors' emoluments)	11,515	10,887
Mandatory provident fund ("MPF") contributions	129	123
	<hr/>	<hr/>
Total staff costs	11,644	11,010
and after crediting:		
Dividend income	224	1,169
Realised gain on disposal of financial assets at FVTPL	331	–
Realised gain on disposal of financial assets at FVTOCI	4,992	–
Unrealised gain on revaluation of financial assets at FVTPL	9	343
Gross rental income from investment properties	39,611	39,303
Less:		
Direct operating expenses from investment properties that generated rental income	(208)	(280)
Direct operating expenses from investment properties that did not generate rental income	(245)	(291)
	<hr/>	<hr/>
Net rental income	<b>39,158</b>	<b>38,732</b>
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	<u>3,563</u>	<u>3,186</u>

### 7. TAXATION

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	3,911	3,885
Deferred taxation		
Current period	<u>900</u>	<u>739</u>
	<u>4,811</u>	<u>4,624</u>

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the period.

### 8. INTERIM DIVIDENDS

For the financial year ended 31 March 2019, the final dividend of HK3.2 cents (2018: HK3.2 cents) per share were paid to the shareholders of the Company on 29 August 2019.

For the six months ended 30 September 2019, the Board of Directors has declared an interim dividend of HK1.8 cents (six months ended 30 September 2018: an interim dividend of HK2.2 cents) per share amounting to approximately HK\$4,990,000 (six months ended 30 September 2018: approximately HK\$6,771,000) payable to the shareholders of the Company.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 9. (LOSS) EARNINGS PER SHARE

The calculation of loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$263,097,000 (six months ended 30 September 2018: profit for the period of approximately HK\$18,621,000) and on weighted average number of 297,750,116 (30 September 2018: 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 both periods.

### 10. INVESTMENT PROPERTIES

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	2,952,288	2,968,412
Fair value loss recognised in profit or loss	(286,600)	(15,917)
Exchange adjustments	<u>38</u>	<u>(207)</u>
	<b><u>2,665,726</u></b>	<b><u>2,952,288</u></b>

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

### 11. PROPERTY, PLANT AND EQUIPMENT

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Carrying amounts at beginning of the period/year	4,425	6,368
Additions	815	–
Depreciation for the period/year	<u>(543)</u>	<u>(1,943)</u>
Carrying amounts at end of the period/year	<b><u>4,697</u></b>	<b><u>4,425</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 12. INTERESTS IN ASSOCIATES

	<b>30 September 2019</b>	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Share of net assets	<b>344,096</b>	360,023
Amounts due from an associate	–	13
Amounts due to associates	<b>(7,148)</b>	(4,578)
	<b><u>336,948</u></b>	<b><u>355,458</u></b>

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

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

#### Financial position as at 30 September 2019

	<b>30 September 2019</b>	31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Current assets	<b>2,231</b>	5,809
Non-current assets	<b>712,666</b>	760,599
Current liabilities	<b>(5,380)</b>	(13,879)
Non-current liabilities	<b>(21,325)</b>	(32,483)
Net assets	<b><u>688,192</u></b>	<b><u>720,046</u></b>
Proportion of the Group's ownership interest therein	<b>50%</b>	50%
Group's share of net assets of the associates	<b><u>344,096</u></b>	<b><u>360,023</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 12. INTERESTS IN ASSOCIATES (Continued)

#### Profit or loss and other comprehensive income for the six months ended 30 September 2019

	Six months ended	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	<u>13,125</u>	<u>13,185</u>
(Loss) profit for the period, net of tax	(31,853)	6,635
Other comprehensive income	<u>-</u>	<u>-</u>
(Loss) profit and total comprehensive (expense) income for the period	<u>(31,853)</u>	<u>6,635</u>
Share of results of associates comprises:		
Share of (loss) profit of associates	(15,331)	3,887
Share of taxation of associates	<u>(596)</u>	<u>(569)</u>
	<u>(15,927)</u>	<u>3,318</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 13. FINANCIAL ASSETS

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
<b>Non-current:</b>		
Financial assets at FVTOCI		
– Listed debt securities ( <i>note</i> )	478,981	443,419
Financial assets at FVTPL		
– Unlisted club debenture	<u>430</u>	<u>430</u>
	<u><b>479,411</b></u>	<u><b>443,849</b></u>
<b>Current:</b>		
Financial assets at FVTOCI		
– Listed debt securities ( <i>note</i> )	<u>13,754</u>	<u>–</u>
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	10,200	2,970
– Listed equity securities in overseas	<u>1,584</u>	<u>4,284</u>
	<u><b>11,784</b></u>	<u><b>7,254</b></u>
	<u><b>25,538</b></u>	<u><b>7,254</b></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 2020 to 2049 and include those that are perpetual.

As of 30 September 2019, such financial assets at FVTOCI constitute approximately 13.52% 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 2019

### 14. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables were rental receivables of approximately HK\$451,000 (31 March 2019: approximately HK\$423,000) 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:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Within 30 days	451	–
31 – 60 days	–	383
61 – 90 days	–	20
Over 90 days	–	20
	<u>451</u>	<u>423</u>

### 15. SECURED BANK BORROWINGS

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	21,966	11,808
More than one year but not exceeding two years	12,276	12,132
More than two years but not exceeding five years	38,699	38,210
More than five years	199,527	206,158
	<u>272,468</u>	<u>268,308</u>
Less: Amounts due within one year shown under current liabilities	<u>21,966</u>	<u>11,808</u>
Amounts due after one year	<u>250,502</u>	<u>256,500</u>

All of the bank borrowings were denominated in Hong Kong dollars with variable interest rates ranging from 1.1% to 1.35% over HIBOR per annum (31 March 2019: from 1.1% to 1.35% over HIBOR per annum).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 16. SHARE CAPITAL

	30 September 2019		31 March 2019	
	Number of ordinary shares	Amount HK\$'000	Number of ordinary shares	Amount HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
At beginning of the period/year	307,758,522	229,386	307,758,522	229,386
Cancellation of shares during the period	(30,525,639)	—	—	—
At end of the period/year	<u>277,232,883</u>	<u>229,386</u>	<u>307,758,522</u>	<u>229,386</u>

On 26 April 2019, the covenantors executed the deed of undertaking (as amended and supplemented on 16 May 2019 and 13 June 2019) in favour of the Company undertaking to execute the Share Buy-back Agreement relating to an off-market share buy-back by the Company from Grand Fort Investments Limited of 30,525,639 Buy-back Shares, representing approximately 9.92% of the entire issued share capital of the Company ("Share Buy-back Agreement"). Details refer to Company's announcement dated 16 May 2019.

On 2 August 2019, upon all conditions to the deed of undertaking have been fulfilled, the covenantors and the Company entered into the Share Buy-back Agreement. The Share Buy-back completion had been took place on 2 August 2019 and the 30,525,639 Buy-back Shares have been subsequently cancelled by the Company with effect as at 2 August 2019.

### 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 2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Management fee income received from associates	<u>1,893</u>	<u>1,842</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 17. RELATED PARTY TRANSACTIONS (Continued)

#### Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	7,116	6,577
MPF contributions	18	18
	<u>7,134</u>	<u>6,595</u>

### 18. PLEDGE OF ASSETS

At 30 September 2019, the Group's total banking facilities amounted to HK\$1,122,468,000 (31 March 2019: HK\$1,128,308,000). The Group has utilised loan facilities from banks with an amount of approximately HK\$272,468,000 (31 March 2019: approximately HK\$268,308,000).

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

- i) Investment properties with carrying amounts of approximately HK\$924,300,000 (31 March 2019: approximately HK\$1,099,700,000);
- ii) Financial assets at FVTOCI and financial assets at FVTPL with total carrying amounts of approximately HK\$442,161,000 (31 March 2019: approximately HK\$391,527,000); and
- iii) Bank deposits with carrying amounts of approximately HK\$5,694,000 (31 March 2019: approximately HK\$149,600,000).

### 19. CONTINGENT LIABILITIES

At 30 September 2019, the Company has provided guarantee for an associate to secure a revolving loan of HK\$200,000,000 (31 March 2019: HK\$200,000,000). At 30 September 2019, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 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:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Within one year	855	1,140
In the second to fifth year inclusive	<u>–</u>	<u>285</u>
	<b><u>855</u></b>	<b><u>1,425</u></b>

Operating lease payments represent rental payables by the Group for its director's quarter. The lease is fixed for one year (31 March 2019: two years).

#### The Group as lessor

At 30 September 2019, the investment properties of the Group are expected to generate average rental yields of approximately 2.97% (31 March 2019: 2.72%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years (31 March 2019: four years).

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

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Within one year	59,556	55,704
In the second to fifth year inclusive	<u>33,207</u>	<u>27,644</u>
	<b><u>92,763</u></b>	<b><u>83,348</u></b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 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).

	<b>Fair value as at</b>			
	<b>30 September</b>	31 March	<b>Fair value</b>	<b>Valuation</b>
	<b>2019</b>	2019	<b>hierarchy</b>	<b>techniques and</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>		<b>key inputs</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>		
Financial assets at FVTOCI				
– Listed debt securities	<b>492,735</b>	443,419	Level 1	Quoted bid prices in active market
Financial assets at FVTPL				
– Listed equity securities	<b>11,784</b>	7,254	Level 1	Quoted bid prices in active market
– Unlisted club debenture	<b>430</b>	430	Level 2	Quoted market prices in secondary market

During the six months ended 30 September 2019, there were no transfers between instrument in Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2019: Nil).

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1.8 cents per share for the six months ended 30 September 2019. The interim dividend will be paid on or about Thursday, 12 December 2019 to shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 5 December 2019.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 3 December 2019 to Thursday, 5 December 2019, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 2 December 2019.

## 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	
		2019	2018
For the period	Revenue	39,611	39,303
	(Loss)/profit for the period attributable to owners of the Company	(263,097)	18,621
As at 30 September	Capital & reserves attributable to owners of the Company	3,301,012	3,718,158
	Shares in issue (thousands)	277,233	307,759
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	1.42%	1.00%
	Gearing	5.2%	0.76%
Per Share	Net worth per share (HK\$)	11.91	12.08
	Basic (loss) earnings per share (HK cents)	(88.36)	6.05
	Interim dividend declared per share (HK cents)	1.8	2.2

## FINANCIAL REVIEW

### Financial Results

#### Revenue

The revenue of the Group for the period remained stable at HK\$39.6 million as compared with prior period (2018: HK\$39.3 million). A slight increase was primarily due to Group's commercial shops properties recorded an increase in rental rates upon renewal.

#### Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the period was HK\$263.1 million.

The turnaround of the result by recording a loss for the period as compared to a profit in last comparable period was primarily due to a significant decrease in fair value of investment properties of HK\$286.6 million was reported during the period.

#### *(Loss) earnings per share*

Loss per share amounted to HK 88.36 cents (2018: earnings of HK 6.05 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 2019, the Group's net borrowings amounted to HK\$171.8 million represent bank borrowings of HK\$272.5 million less bank deposits, bank balances and cash of HK\$100.7 million. Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 5.2%. At 31 March 2019, although the Group had bank borrowings of HK\$268.3 million, the Group had a net cash balance on hand.

At 30 September 2019, the Group's total banking facilities amounting to HK\$1,122.5 million (31 March 2019: HK\$1,128.3 million) were fully secured by its investment properties, debt instruments at fair value through other comprehensive income and bank deposits with an aggregate carrying value amounting to HK\$1,372.2 million (31 March 2019: HK\$1,641.3 million).

	<b>At 30 September 2019 HK\$'000</b>	At 31 March 2019 HK\$'000
Bank loans are repayable as follows:		
On demand or within one year	<b>21,966</b>	11,808
More than one year but not exceeding two years	<b>12,276</b>	12,132
More than two years but not exceeding five years	<b>38,699</b>	38,210
More than five years	<b>199,527</b>	206,158
	<b>272,468</b>	268,308

## **FINANCIAL REVIEW** (Continued)

At 30 September 2019, the current ratio (current assets/current liabilities) of the Group was 2.85 times (31 March 2019: 8.46 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 11 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 22.

### **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 2019, the Group's shareholders' funds amounted to HK\$3,301.0 million (31 March 2019: HK\$3,740.0 million), a decrease of HK\$439 million from the previous year end.

The net asset value per share was HK\$11.9 (31 March 2019: HK\$12).

The significant decrease in the shareholders' fund as at period end as compared the previous year end was due to:

- a decrease in the fair value of investment properties of HK\$286.6 million;
- the consideration for the Company repurchased 30,525,639 shares off the market at HK\$155.7 million was written off against the shareholders' fund.

At 30 September 2019, 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 93.9%, a slight decrease of 3.4% as compared with last comparable period of 97.3%.
- A fair value loss upon revaluation at period end, while no fair value loss was recorded in last comparable period.
- The fair value loss in the investment properties mainly associated with Group's investment properties located in Tsim Sha Tsui.
- The Group's share of gross rental income from associates remained stable at an amount of HK\$6.6 million.

### Treasury investment operation

- Interest income and dividend income derived from the Group investment in debt and equity securities during the period is HK\$19.2 million, a decrease of 14.7% as compared with last period of HK\$22.5 million.
- During this period, the issuers of the Group investments in debt securities exercise the option to redeem the debt securities. As a result, the Group recorded a realised gain of HK\$5.0 million.
- In last period, in view of the early out break of the trade war between China and the United States, and interest rate hikes the Group disposed of certain of its investments in debt and equity securities with a realised loss of approximately HK\$21.6 million and approximately HK\$1.5 million respectively.
- On 30 September 2019, the Group held debt and equity securities investments of HK\$504.5 million, a 11.9% increased as compared with year ended at 31 March 2019.

### Employees

At 30 September 2019, the total number of staff of the Group was 17 (2018: 17). The total staff costs including Directors' emoluments for the six months ended 30 September 2019 amounted to HK\$11.5 million (2018: HK\$10.9 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

## BUSINESS OUTLOOK

In the face of various external resistances in 2019, the outlook of the global economy remains dim. The trade dispute between China and the United States continues and is about to spread to the fields of science and technology as well as national defense, forming major uncertainties affecting the prospects of global and local economies, while the process of the Brexit and its impact are also difficult to predict.

The US Federal Reserve's recent interest rate cuts – the first rate cut since the 2008 Financial Crisis – may mean the beginning of the interest rate cut cycle, which is favorable for the local economy. However, as the Anti-extradition Bill has triggered continuous protests, the environment and atmosphere of the society remain sluggish, attitudes of general public consumption are prudent while local retail consumption and the number of tourists have declined as a result. However, ongoing protests will have a negative impact on the Group's rental income in the second half of the year which is difficult to quantify and predict.

For securities investment, the Group remains confidence in the belief that investment in bonds issued by established issuers will continue to provide stable returns to shareholders.

Looking ahead, given the long-term uncertainties, the Group will continue to be vigilant by maintaining a stable financial position and seeking quality investment to benefit all shareholders.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2019, 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	204,304,534	73.69
	Interest of controlled corporation	Corporate interest (Note 1)	56,348,534		
	Founder of a discretionary trust	Other interest (Notes 1 & 2)	171,742,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal interest	792,000	172,534,896	62.23
	Beneficiary of a trust	Other interest (Notes 2 & 3)	171,742,896		

## DIRECTORS' INTERESTS IN SHARES (Continued)

### (i) Interest in the Company (long position) (Continued)

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 Yan Wai, Emily	Beneficiary of a trust	Other interest (Notes 2 & 4)	171,742,896	171,742,896	61.95
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other interest (Notes 2 & 5)	171,742,896	171,742,896	61.95

#### Notes:

1. The 56,348,534 shares are held as to 30,525,638 shares by Smartprint Development Limited and as to 25,822,896 shares held by Evergrade Investments Limited.

The issued share capital of Smartprint Development Limited is beneficially owned by Mr. Chan Hoi Sow.

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 171,742,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.

2. The three references to 171,742,896 shares relate to the same block of shares in the Company. The 171,742,896 shares are held as to 145,920,000 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 171,742,896 shares indirectly owned by Sow Pin Trust.
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 171,742,896 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 171,742,896 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 171,742,896 shares indirectly owned by Sow Pin Trust.

## DIRECTORS' INTERESTS IN SHARES (Continued)

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

Name of Director	Name of the associated corporation	Capacity	Nature of interests
Chan Yan Wai, Emily	Win Easy Development Limited	Interest of Controlled Corporation	Corporate Interest (Note 1)
Chan Hoi Sow	Noranger Company Limited	Interest of Controlled Corporation	Corporate Interest (Note 2)

*Notes:*

1. 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.
2. The issued share capital of Noranger Company Limited is beneficially owned as to 100% by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust. Mr. Chan Hoi Sow is the founder of 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 2019 or had been granted or exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2019, 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)	204,304,534	204,304,534	73.69
Credit Suisse Trust Limited as trustee of Sow Pin Trust	Interest of controlled corporation	Other interest (Notes 2, 3 & 4)	171,742,896	171,742,896	61.95



## SUBSTANTIAL SHAREHOLDERS (Continued)

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
Brock Nominees Limited	Interest of controlled corporation	Corporate interest <i>(Notes 2 &amp; 3)</i>	171,742,896	171,742,896	61.95
Global Heritage Group Limited	Interest of controlled corporation	Corporate interest <i>(Notes 2 &amp; 3)</i>	171,742,896	171,742,896	61.95
Beyers Investments Limited	Interest of controlled corporation	Corporate interest <i>(Notes 2, 3 &amp; 4)</i>	171,742,896	171,742,896	61.95
Noranger Company Limited	Beneficial owner	Corporate interest <i>(Notes 2, 3 &amp; 4)</i>	145,920,000	145,920,000	52.63
Evergrade Investments Limited	Beneficial owner	Corporate interest <i>(Notes 2, 3 &amp; 4)</i>	25,822,896	25,822,896	9.31
Smartprint Development Limited	Beneficial owner	Corporate interest <i>(Note 5)</i>	30,525,638	30,525,638	11.01
Builtwin Ltd.	Beneficial owner	Corporate interest <i>(Note 6)</i>	14,876,008	14,876,008	5.37
Hon Nicholas	Interest of controlled corporation	Corporate interest <i>(Note 6)</i>	14,876,008	14,876,008	5.37

*Notes:*

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

Name of controlled corporation	Name of controlling shareholder	Percentage control
Brock Nominees Limited	Credit Suisse Trust Limited as trustee of Sow Pin Trust	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 171,742,896 shares which are held as to 145,920,000 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. Smartprint Development Limited is wholly owned by Mr. Chan Hoi Sow.
6. Builtwin Ltd. is wholly owned by Mr. Hon Nicholas.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 30 September 2019, 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**

References are made to (i) the circular of the Company dated 28 June 2019 (the "Circular"); and (ii) the notice of the extraordinary general meeting ("EGM") of the same date as set out in the Circular, the independent shareholders at the EGM held on 30 July 2019 passed the special resolution as set out in the notice of the EGM to authorise the Company repurchased 30,525,639 shares off the market at HK\$5.10 per share from Grand Fort Investment Limited for an aggregate consideration of approximately HK\$155.7 million before expenses during the period. The repurchased shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's shares during the period ended 30 September 2019.

## **SUFFICIENCY OF PUBLIC FLOAT**

The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and to the best knowledge, information and belief of the Directors, as at the date of this report, the Company has maintained a public float of 25%.

## **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 2019 and the 2019/2020 Interim Report with the Directors.

## CORPORATE GOVERNANCE

During the six months ended 30 September 2019, 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 2019.

## 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 2019.

By order of the Board  
**Chan Hoi Sow**  
*Chairman*

Hong Kong, 13 November 2019