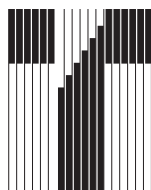


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TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 2023, 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 2023

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	28,687	25,669
Property expenses		(2,944)	(939)
Gross profit		25,743	24,730
Fair value loss on investment properties		(17,280)	(24,130)
Loss on derecognition of debt instruments at fair value through other comprehensive income		(890)	(8)
Loss on disposal of financial assets at fair value through profit or loss		–	(2,060)
Unrealised loss on revaluation of financial assets at fair value through profit or loss		(151)	(5,662)
Reversal of impairment loss on debt instruments at fair value through other comprehensive income, net		13,746	4,269
Allowance for expected credit losses, net of reversal		(1,297)	233
Dividend income		6	467
Interest income		9,542	8,935
Other income, gains and losses, net		(385)	1,286
Administrative expenses		(16,959)	(15,703)

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) from operations	5	12,075	(7,643)
Finance costs	6	(637)	(461)
Share of results of associates	13	1,026	(3,703)
		<u>12,464</u>	<u>(11,807)</u>
Profit (loss) before taxation		12,464	(11,807)
Taxation	7	(1,958)	(2,721)
		<u>10,506</u>	<u>(14,528)</u>
Profit (loss) for the period attributable to owners of the Company			
Other comprehensive income (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		(46,100)	(39,270)
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at fair value through other comprehensive income		1,571	612
Impairment loss on debt instruments at fair value through other comprehensive income		1,939	–
Reversal of impairment loss on debt instruments at fair value through other comprehensive income		(15,685)	(4,269)
Exchange differences arising on translation of foreign operations		135	(510)
		<u>(58,140)</u>	<u>(43,437)</u>
Other comprehensive expense for the period, net of tax			
Total comprehensive expense for the period attributable to owners of the Company		<u>(47,634)</u>	<u>(57,965)</u>
Earnings (loss) per share			
Basic and diluted	9	<u>HK3.79 cents</u>	<u>(HK5.24 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	Notes	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	10	2,066,572	2,083,782
Property, plant and equipment	11	577	819
Right-of-use assets	12	14,656	15,007
Interests in associates	13	256,672	256,547
Debt instruments at fair value through other comprehensive income	14	74,510	143,559
Financial assets at fair value through profit or loss	14	700	700
Deferred rental income		1,094	1,247
Deferred tax assets		140	130
		<u>2,414,921</u>	<u>2,501,791</u>
Current assets			
Trade and other receivables	15	11,665	9,896
Debt instruments at fair value through other comprehensive income redeemable within one year	14	31,309	29,367
Financial assets at fair value through profit or loss	14	1,646	1,797
Deferred rental income – current portion		1,091	407
Tax recoverable		639	1,622
Pledged bank deposits		37,315	37,685
Bank balances and cash		203,991	171,040
		<u>287,656</u>	<u>251,814</u>
Current liabilities			
Other payables and receipts in advance		6,078	6,656
Deposits received from tenants		12,209	10,590
Tax payable		1,271	194
Lease liabilities	16	46	331
Secured bank borrowings – due within one year	17	2,758	2,763
		<u>22,362</u>	<u>20,534</u>
Net current assets		<u>265,294</u>	<u>231,280</u>
Total assets less current liabilities		<u>2,680,215</u>	<u>2,733,071</u>

		30 September 2023	31 March 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Deposits received from tenants		8,638	9,595
Lease liabilities	<i>16</i>	11	35
Secured bank borrowings – due after one year	<i>17</i>	43,200	44,549
Deferred tax liabilities		35,032	34,597
		<u>86,881</u>	<u>88,776</u>
Net assets		<u>2,593,334</u>	<u>2,644,295</u>
Capital and reserves			
Share capital	<i>18</i>	229,386	229,386
Reserves		2,363,948	2,414,909
Total equity		<u>2,593,334</u>	<u>2,644,295</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Fair value through other comprehensive income reserve ("FVTOCI") <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2023 (Audited)	229,386	211	(94,295)	3,327	2,505,666	2,644,295
Profit for the period	-	-	-	-	10,506	10,506
Other comprehensive income (expense):						
Net loss arising on revaluation of debt instruments at FVTOCI	-	-	(46,100)	-	-	(46,100)
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	-	-	1,571	-	-	1,571
Impairment loss on debt instruments at FVTOCI included in profit and loss	-	-	1,939	-	-	1,939
Reversal of impairment loss on debt instruments at FVTOCI	-	-	(15,685)	-	-	(15,685)
Exchange differences arising on translation of foreign operations	-	135	-	-	-	135
Total comprehensive income (expense) for the period	-	135	(58,275)	-	10,506	(47,634)
Dividends declared (<i>note 8</i>)	-	-	-	832	(832)	-
Dividends paid	-	-	-	(3,327)	-	(3,327)
At 30 September 2023 (Unaudited)	229,386	346	(152,570)	832	2,515,340	2,593,334
At 1 April 2022 (Audited)	229,386	1,048	(93,366)	4,158	2,585,583	2,726,809
Loss for the period	-	-	-	-	(14,528)	(14,528)
Other comprehensive income (expense):						
Net loss arising on revaluation of debt instruments at FVTOCI	-	-	(39,270)	-	-	(39,270)
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	-	-	612	-	-	612
Reversal of impairment loss on debt instruments at FVTOCI	-	-	(4,269)	-	-	(4,269)
Exchange differences arising on translation of foreign operations	-	(510)	-	-	-	(510)
Total comprehensive expense for the period	-	(510)	(42,927)	-	(14,528)	(57,965)
Dividends declared	-	-	-	1,386	(1,386)	-
Dividends paid	-	-	-	(4,158)	-	(4,158)
At 30 September 2022 (Unaudited)	229,386	538	(136,293)	1,386	2,569,669	2,664,686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company is 26th Floor, Tern Centre, Tower I, 237 Queen’s Road Central, Hong Kong.

The Company continues to act as an investment holding company. Its subsidiaries (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 2023 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 2023 that is included in the Interim Report 2023 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 2023 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 that are measured at fair values.

The condensed consolidated financial statements for the six months ended 30 September 2023 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 2023.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023.

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 for the six months ended 30 September 2023 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 2023

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 amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The application of the amendments to HKFRSs 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.

3. OPERATING SEGMENTS

The Group’s operating activities are attributable to two operating segments under HKFRS 8 “Operating Segments”, namely property investment and treasury investment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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. Information provided includes net rental income (comprising gross rental income and property expenses), fair value loss on investment properties and share of results of associates. Individual properties with similar economic characteristics are aggregated into one segment for presentation purposes.

For treasury investment, the segment represents the investments in debt and equity securities. Financial information is provided to the Board on a company-by-company basis. Information provided includes unrealised loss on revaluation of financial assets at FVTPL, loss on derecognition of debt instruments at FVTOCI, loss on disposal of financial assets at FVTPL, interest income from debt instruments and dividend income from equity securities.

Business information

For the six months ended 30 September 2023

	Property investment <i>HK\$’000</i> (Unaudited)	Treasury investment <i>HK\$’000</i> (Unaudited)	Total <i>HK\$’000</i> (Unaudited)
Turnover	28,687	–	28,687
Property expenses	(2,944)	–	(2,944)
Gross profit	25,743	–	25,743
Fair value loss on investment properties	(17,280)	–	(17,280)
Loss on derecognition of debt instruments at FVTOCI	–	(890)	(890)
Unrealised loss on revaluation of financial assets at FVTPL	–	(151)	(151)
Reversal of impairment loss on debt instruments at FVTOCI, net	–	13,746	13,746
Allowance for expected credit loss, net of reversal	(367)	(930)	(1,297)
Dividend income from equity securities	–	6	6
Interest income	3,631	5,911	9,542
Other income, gains and losses, net	2,398	(2,783)	(385)
Administrative expenses	(15,160)	(1,799)	(16,959)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
(Loss) profit from operations	(1,035)	13,110	12,075
Finance costs	(3)	(634)	(637)
Share of results of associates	1,026	–	1,026
	<u>(12)</u>	<u>12,476</u>	<u>12,464</u>
Taxation	(1,855)	(103)	(1,958)
	<u>(1,867)</u>	<u>12,373</u>	<u>10,506</u>

At 30 September 2023

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	2,653,865	48,712	2,702,577
Segment liabilities	(63,033)	(46,210)	(109,243)
Net assets	<u>2,590,832</u>	<u>2,502</u>	<u>2,593,334</u>
Other segment information:			
Depreciation and amortisation	<u>593</u>	<u>–</u>	<u>593</u>

For the six months ended 30 September 2022

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Turnover	25,669	–	25,669
Property expenses	(939)	–	(939)
Gross profit	24,730	–	24,730
Fair value loss on investment properties	(24,130)	–	(24,130)
Loss on derecognition of debt instruments at FVTOCI	–	(8)	(8)
Loss on disposal of financial assets at FVTPL	–	(2,060)	(2,060)
Unrealised loss on revaluation of financial assets at FVTPL	–	(5,662)	(5,662)
Reversal of impairment loss on debt instruments at FVTOCI	–	4,269	4,269
Reversal of allowance for expected credit loss	233	–	233
Dividend income from equity securities	–	467	467
Interest income	2	8,933	8,935
Other income, gains and losses, net	2,182	(896)	1,286
Administrative expenses	(13,893)	(1,810)	(15,703)
Profit from operations	(10,876)	3,233	(7,643)
Finance costs	(9)	(452)	(461)
Share of results of associates	(3,703)	–	(3,703)
Profit before taxation	(14,588)	2,781	(11,807)
Taxation	(1,952)	(769)	(2,721)
Profit for the period	<u>(16,540)</u>	<u>2,012</u>	<u>(14,528)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

At 31 March 2023

	Property investment HK\$'000 (Audited)	Treasury investment HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	2,487,658	265,947	2,753,605
Segment liabilities	(59,430)	(49,880)	(109,310)
Net assets	<u>2,428,228</u>	<u>216,067</u>	<u>2,644,295</u>
Other segment information:			
Depreciation and amortisation	<u>1,474</u>	<u>–</u>	<u>1,474</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 turnover arising from rental income of approximately HK\$28.7 million (six months ended 30 September 2022: approximately HK\$25.7 million) are rental income of approximately HK\$1.9 million (six months ended 30 September 2022: approximately HK\$1.8 million) attributable to the Group's largest tenant. No other single customer contributed 10% or more to the Group's turnover for the periods ended 30 September 2023 and 2022.

4. TURNOVER

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

5. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) from operations has been arrived at after charging:		
Staff costs (including directors' emoluments)	12,168	12,302
Retirement benefits scheme contributions	<u>125</u>	<u>62</u>
Total staff costs	12,293	12,364
Auditor's remuneration	232	256
Depreciation of property, plant and equipment	242	518
Depreciation of right-of-use assets	351	328
Allowance for expected credit losses, net of reversal	1,297	(233)
Reversal of impairment loss on debt instruments at FVTOCI, net	(13,746)	(4,269)
Exchange loss, net	2,599	801
Loss on disposal of financial assets at FVTPL	–	2,060
Loss on derecognition of debt instruments at FVTOCI	890	8
Unrealised loss on revaluation of financial assets at FVTPL	151	5,662
Write-off of trade and other receivables	372	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

8. INTERIM DIVIDENDS

For the financial year ended 31 March 2023, final dividend of HK1.2 cents (2022: HK1.5 cents) per share was paid to the shareholders of the Company on 15 September 2023.

For the six months ended 30 September 2023, the Board of Directors has declared an interim dividend of HK0.3 cent (six months ended 30 September 2022: an interim dividend of HK0.5 cent) per share amounting to approximately HK\$832,000 (six months ended 30 September 2022: approximately HK\$1,386,000) payable to the shareholders of the Company.

9. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on the profit for the period attributable to owners of the Company of approximately HK\$10,506,000 (six months ended 30 September 2022: loss for the period attributable to owners of the Company of approximately HK\$14,528,000) and on outstanding number of 277,232,883 ordinary shares in issue during both periods.

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

10. INVESTMENT PROPERTIES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	2,083,782	2,163,826
Fair value loss recognised in profit or loss	(17,280)	(79,607)
Exchange adjustments	70	(437)
	<u>2,066,572</u>	<u>2,083,782</u>
At end of the period/year	<u>2,066,572</u>	<u>2,083,782</u>

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

The valuations of investment properties carried at fair value were updated at 30 September 2023 by the Group's independent qualified professional valuer using the same valuation techniques as were used by this valuer when carrying out 31 March 2023 valuations.

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Carrying amounts at beginning of the period/year	819	1,625
Depreciation for the period/year	(242)	(806)
	<u>577</u>	<u>819</u>
Carrying amounts at end of the period/year	<u>577</u>	<u>819</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

12. RIGHT-OF-USE ASSETS

	Leasehold land <i>HK\$'000</i>	Leased property <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2023			
Carrying amounts	14,552	455	15,007
As at 30 September 2023			
Carrying amounts	14,505	151	14,656
Six months ended 30 September 2023			
Depreciation charge	<u>47</u>	<u>304</u>	<u>351</u>
Total cash outflow for leases			<u>312</u>

Leasehold lands and buildings are depreciated on a straight-line basis over the term of the leases.

The Group leases a property for a director's quarters. Lease contract is entered into for fixed term of 2 years for the property. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

13. INTERESTS IN ASSOCIATES

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Share of net assets	260,491	259,465
Amounts due to associates	<u>(3,819)</u>	<u>(2,918)</u>
	<u>256,672</u>	<u>256,547</u>

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

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

Financial position as at 30 September 2023

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Current assets	16,302	11,941
Non-current assets	533,580	535,560
Current liabilities	(11,379)	(11,107)
Non-current liabilities	<u>(17,521)</u>	<u>(17,463)</u>
Net assets	<u>520,982</u>	<u>518,931</u>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	<u>260,491</u>	<u>259,465</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

Profit or loss and other comprehensive income for the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover	<u>9,166</u>	<u>7,463</u>
Profit (loss) for the period	2,051	(7,406)
Other comprehensive income	<u>–</u>	<u>–</u>
Total comprehensive income (expense) for the period	<u>2,051</u>	<u>(7,406)</u>
Share of results of associates comprises:		
Share of profit (loss) of associates	1,410	(3,326)
Share of taxation of associates	<u>(384)</u>	<u>(377)</u>
	<u>1,026</u>	<u>(3,703)</u>

14. FINANCIAL ASSETS

	30 September 2023	31 March 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current:		
Debt instruments at FVTOCI		
– Unlisted debt securities (<i>note (iii)</i>)	–	22,803
– Listed debt securities (<i>note (i)</i>)	<u>74,510</u>	<u>120,756</u>
	74,510	143,559
Financial assets at FVTPL		
– Unlisted club debenture	<u>700</u>	<u>700</u>
	<u>75,210</u>	<u>144,259</u>
Current:		
Debt instruments at FVTOCI		
– Listed debt securities (<i>note (i)</i>)	9,803	29,367
– Unlisted debt securities (<i>note (iii)</i>)	<u>21,506</u>	<u>–</u>
	31,309	29,367
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	1,100	1,321
– Listed equity securities in overseas	<u>546</u>	<u>476</u>
	<u>1,646</u>	<u>1,797</u>
	<u>32,955</u>	<u>31,164</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

Notes:

- (i) Financial assets at FVTOCI include debt instruments held by the Group and which are listed in recognised stock exchanges in Hong Kong and overseas, the issuers of which include those that are engaged in, among others, aviation, banking, hospitality and real estate businesses. Such debt instruments' maturity dates vary from 2023 to 2025 and include those that are perpetual.

As of 30 September 2023, such financial assets at FVTOCI constitute approximately 3.92% (31 March 2023: 6.28%) of the total assets of the Group and no single debt instrument constituting such financial assets at FVTOCI has an outstanding amount representing over 5% of the Group's total assets.

The Group recognised a net reversal of impairment allowance, of approximately HK\$13,746,000 for the current period (30 September 2022: HK\$4,269,000).

- (ii) At 30 September 2023 and 31 March 2023, listed debt instruments at FVTOCI and listed equity securities at FVTPL were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.
- (iii) At 30 September 2023 and 31 March 2023, unlisted debt instruments at FVTOCI were stated at fair values were reference to the quoted prices provided by financial institution.

15. TRADE AND OTHER RECEIVABLES

Included in the trade receivables were rental receivables (net of allowance for expected credit loss) of approximately HK\$1,204,000 (31 March 2023: approximately HK\$1,109,000) with internal credit policy. Rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants. The aging of rental receivables, net of allowance for credit loss presented based on the due date of debit note is as below:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within 30 days	840	–
31 – 60 days	–	796
61 – 90 days	286	52
Over 90 days	78	261
	<u>1,204</u>	<u>1,109</u>

Included in the other receivables, there are amounts due from associates of approximately HK\$306,000 as at 30 September 2023 (31 March 2023: approximately HK\$306,000).

16. LEASE LIABILITIES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within one year	46	331
Within a period of more than one year but not exceeding two years	11	35
	<u>57</u>	<u>366</u>
Less: Amount due for settlement within one year shown under current liabilities	<u>(46)</u>	<u>(331)</u>
Amount due for settlement after one year shown under non-current liabilities	<u>11</u>	<u>35</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

17. SECURED BANK BORROWINGS

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	2,758	2,763
More than one year but not exceeding two years	2,852	2,850
More than two years but not exceeding five years	9,126	9,072
More than five years	31,222	32,627
	<u>45,958</u>	<u>47,312</u>
Less: Amounts due within one year shown under current liabilities	<u>(2,758)</u>	<u>(2,763)</u>
Amounts due after one year	<u><u>43,200</u></u>	<u><u>44,549</u></u>

All of the bank borrowings were denominated in Hong Kong dollars with interest rates ranging from 2.79% to 3.27% per annum.

18. SHARE CAPITAL

	30 September 2023		31 March 2023	
	Number of ordinary shares (Unaudited)	Amount <i>HK\$'000</i> (Unaudited)	Number of ordinary shares (Audited)	Amount <i>HK\$'000</i> (Audited)
Issued and fully paid	<u>277,232,883</u>	<u>229,386</u>	<u>277,232,883</u>	<u>229,386</u>

19. RELATED PARTY TRANSACTIONS

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

Transaction with associates

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Management fee income received from associates	<u>1,668</u>	<u>1,412</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	7,585	7,979
Contributions to retirement benefit scheme	27	27
	<u>7,612</u>	<u>8,006</u>

20. PLEDGE OF ASSETS

At 30 September 2023, the Group's banking facilities amounted to approximately HK\$396,458,000 (31 March 2023: approximately HK\$547,812,000). The Group has utilised loan facilities from banks with an amount of approximately HK\$45,958,000 (31 March 2023: approximately HK\$47,312,000).

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

- i) Investment properties with carrying amount of approximately HK\$441,000,000 (31 March 2023: approximately HK\$452,800,000);
- ii) Debt instruments at FVTOCI and financial assets at FVTPL with carrying amount in a total of approximately HK\$88,444,000 (31 March 2023: approximately HK\$142,502,000); and
- iii) Pledged bank deposits with carrying amount of approximately HK\$37,315,000 (31 March 2023: approximately HK\$37,686,000).

21. CONTINGENT LIABILITIES

As at 30 September 2023 and 31 March 2023, the Group did not have any material contingent liabilities.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At 30 September 2023, the investment properties of the Group are expected to generate average rental yields of approximately 2.78% (31 March 2023: 2.49%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years (31 March 2023: three years).

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

	30 September 2023	31 March 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	43,586	44,051
In the second year	16,316	17,614
In the third year	4,042	6,076
	<u>63,944</u>	<u>67,741</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

23. 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			
	30 September	31 March	Fair value	Valuation
	2023	2023	hierarchy	techniques and
	HK\$'000	HK\$'000		key inputs
	(Unaudited)	(Audited)		
Financial assets at FVTOCI				
– Listed debt instruments	75,336	132,005	Level 1	Quoted prices in active markets
– Listed debt instruments	8,977	18,118	Level 2	Quoted prices provided by financial institution
– Unlisted debt instruments	21,506	22,803	Level 2	Quoted prices provided by financial institution
Financial assets at FVTPL				
– Listed equity securities	1,646	1,797	Level 1	Quoted prices in active markets
– Unlisted club debenture	700	700	Level 2	Market approach

During the six months ended 30 September 2023, there were no transfers between instruments in Level 1, Level 2 and Level 3 (31 March 2023: Nil).

The directors of the Company consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their respective fair values.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK0.3 cent per share for the six months ended 30 September 2023. The interim dividend will be paid on or about Friday, 29 December 2023 to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 19 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 December 2023 to Tuesday, 19 December 2023, 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 Thursday, 14 December 2023.

FINANCIAL REVIEW

Financial Results

Revenue

The revenue of the Group for the period increased by 11.8% to HK\$28.7 million as compared with prior period (2022: HK\$25.7 million). The increase in revenue was primarily due to increase in rental rates upon renewal of Group's properties.

Treasury investment income

The Group's treasury investment income mainly represented bank interest income of HK\$4.7 million (2022: HK\$0.4 million) and interest income derived from its investments in debt securities of HK\$4.8 million (2022:HK\$8.5 million), a decrease of HK\$3.7 million. This was due to a lower average carrying value of investments in debt securities during the period.

A fair value loss of HK\$0.2 million (2022:HK\$5.7 million) on listed equity securities on hand was recorded during the period.

A fair value loss of debt instruments at fair value through other comprehensive income of HK\$46.1 million (2022:HK\$39.3 million) was recorded during the period. The fair value loss are mainly derived from debt securities being bought in previous periods.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company for the period was HK\$10.5 million.

The turnaround of the result by recording a profit for the period as compared to a loss in last comparable period was due to:

- A significant decrease in the revaluation loss on equity securities on hand. The investments in listed equity securities at period end was HK\$1.6 million, decreased by HK\$15.3 million as compared with last comparable period end.

- A lesser decrease in fair value of investment properties upon revaluation at period end. Decrease in fair value of investment properties of HK\$17.2 million (2022: HK\$24.1 million) was reported during the period.
- A significant increase in the net reversal of impairment loss on debt instruments at fair value through other comprehensive income to HK\$13.7 million, increased by HK\$9.4 million.

Profit per share

Profit per share amounted to HK3.79 cents (2022: loss per share HK5.24 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 2023, the Group's net bank balances and cash amounted to HK\$195.3 million (31 March 2023: HK\$161.4 million), represented pledged bank deposits and bank balances and cash of HK\$241.3 million (31 March 2023: HK\$208.7 million) less bank borrowings of HK\$46.0 million (31 March 2023: HK\$47.3 million).

At 30 September 2023, the Group's total banking facilities amounting to HK\$396.5 million (31 March 2023: HK\$547.8 million) were fully secured by its investment properties, debt instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss and bank deposits with an aggregate carrying value amounting to HK\$566.8 million (31 March 2023: HK\$633.0 million).

	At 30 September 2023 HK\$'000	At 31 March 2023 HK\$'000
Bank loans are repayable as follows:		
On demand or within one year	2,758	2,763
More than one year but not exceeding two years	2,852	2,850
More than two years but not exceeding five years	9,126	9,072
More than five years	31,222	32,627
	45,958	47,312

At 30 September 2023, the current ratio (current assets/current liabilities) of the Group was 12.9 times (31 March 2023: 12.3 times).

Segment information

Detailed segmental information in respect of the turnover and profit or loss is shown in note 3 to the condensed consolidated financial statements on pages 7 to 10.

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 20 to the condensed consolidated financial statements on page 16.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 21 to the condensed consolidated financial statements on page 16.

Shareholders' Funds

At 30 September 2023, the Group's shareholders' funds remain stable at HK\$2,593.3 million (31 March 2023: HK\$2,644.3 million).

The net asset value per share was HK\$9.4 (31 March 2023: HK\$9.5).

The decrease in the shareholders' fund as at period end as compared with the previous year was primarily attributable to a significant increase in net loss arising on revaluation of debt instruments at fair value through other comprehensive income to HK\$46.1 million.

At 30 September 2023, the Group had no significant exposure to foreign exchange rate fluctuations.

OPERATION REVIEW

Property Investment Operation

- The Group's rental income mainly derived from its Hong Kong property portfolio.
- With the reopening of the borders, inbound tourism has somewhat recovered, driving the local economy to rebound. This has a positive impact on the rental rates upon renewal.
- The occupancy rate for the period is 85.0%, a slight decrease of 4.7% as compared with last comparable period of 89.7%.
- 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 was HK\$4.6 million, an increase of HK\$0.9 million as compared with last comparable period.

Treasury investment operation

The Group disposed certain of debt instruments to improve its liquidity and mitigate the risk in last year.

On 30 September 2023, the portfolio of securities investments and treasury products of HK\$107.4 million comprise debt securities of HK\$105.8 million and listed equities of HK\$1.6 million.

Group held debt securities investments of HK\$105.8 million, a 38.8% decrease as compared with year ended at 31 March 2023.

There was no single listed debt security over 5% of the Group's total assets.

Employees

At 30 September 2023, the total number of staff of the Group was 18 (2022: 16). The total staff costs including Directors' emoluments for the six months ended 30 September 2023 amounted to HK\$12.2 million (2022: HK\$12.4 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

The global market is showing signs of recovery as the threat of the COVID-19 has been receding and the economies in major countries have restarted. While the economy is steadily returning to normal, the inflationary pressures, rising interest rates and geopolitical conflicts are holding back the recovery, leading to an expected slowdown in the economy.

Locally, thanks to the reopening of borders, inbound tourism has recovered, driving Hong Kong's economy to show improvement in the first quarter. Nevertheless, we still need to remain cautious, as the COVID-19 has caused structural damage to the global economy and various industries, which is difficult to recover in the short term. Meanwhile, the global market is still full of uncertainties, which will affect whether the economy can fully recover to the level before the pandemic. The performance of Hong Kong's economy still depends on the global economic situation and its financial environment.

Although with adequate financial resources on hand, the Group has always adhered to the principle of financial prudence and maintained a low level of liabilities. The rising interest rates did not bring pressure to the Group's operating expenses and cash flow.

The Group will continue to remain vigilant to cope with different challenges, while seizing high-quality investment opportunities that arise from time to time.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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 2023.

SUFFICIENCY OF PUBLIC FLOAT

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 announcement, 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 risk management systems of the Group and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2023 and the 2023/2024 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2023, 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 C.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 2023.

By order of the Board
Tern Properties Company Limited
Chan Hoi Sow
Chairman

Hong Kong, 22 November 2023

As at the date of this announcement, the Board comprises seven Directors, of which four are Executive Directors, namely Mr. Chan Hoi Sow, Mr. Chan Yan Tin, Andrew, Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan and three are Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Ms. Cheung Chong Wai, Janet.