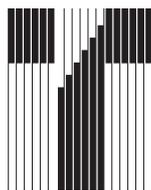


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TERN PROPERTIES COMPANY LIMITED

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 2022

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 2022, 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 2022

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	25,669	30,865
Property expenses		(939)	(641)
Gross profit		24,730	30,224
Fair value loss on investment properties		(24,130)	(9,200)
Loss on derecognition of debt instruments at fair value through other comprehensive income		(8)	(9,657)
Loss on disposal of financial assets at fair value through profit or loss		(2,060)	(1,026)
Unrealised loss on revaluation of financial assets at fair value through profit or loss		(5,662)	(3,757)
Reversal of impairment loss on debt instruments at fair value through other comprehensive income		4,269	–
Reversal of allowance for expected credit losses		233	–
Dividend income		467	723
Interest income		8,935	17,300
Other income, gains and losses, net		1,286	2,471
Administrative expenses		(15,703)	(14,865)

		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(Loss) profit from operations	5	(7,643)	12,213
Finance costs	6	(461)	(1,537)
Share of results of associates	13	(3,703)	(3,860)
		<hr/>	<hr/>
(Loss) profit before taxation		(11,807)	6,816
Taxation	7	(2,721)	(2,805)
		<hr/>	<hr/>
(Loss) profit for the period attributable to owners of the Company		(14,528)	4,011
		<hr/>	<hr/>
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		(39,270)	(47,754)
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at fair value through other comprehensive income		612	46
Reversal of impairment loss on debt instruments at fair value through other comprehensive income		(4,269)	–
Exchange differences arising on translation of foreign operations		(510)	(57)
		<hr/>	<hr/>
Other comprehensive expense for the period, net of tax		(43,437)	(47,765)
		<hr/>	<hr/>
Total comprehensive expense for the period attributable to owners of the Company		(57,965)	(43,754)
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share			
Basic and diluted	9	(HK5.24 cents)	HK1.45 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2022*

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Investment properties	<i>10</i>	2,139,428	2,163,826
Property, plant and equipment	<i>11</i>	1,107	1,625
Right-of-use assets	<i>12</i>	15,256	15,584
Interests in associates	<i>13</i>	262,567	267,101
Debt instruments at fair value through other comprehensive income	<i>14</i>	178,347	183,531
Financial assets at fair value through profit or loss	<i>14</i>	430	430
Deferred rental income		407	977
Deferred tax assets		119	109
		2,597,661	2,633,183
Current assets			
Trade and other receivables	<i>15</i>	11,079	9,885
Debt instruments at fair value through other comprehensive income redeemable within one year	<i>14</i>	1,430	1,341
Financial assets at fair value through profit or loss	<i>14</i>	16,911	33,069
Deferred rental income – current portion		924	381
Tax recoverable		2,092	3,404
Pledged bank deposits		42,014	20,417
Bank balances and cash		102,404	134,713
		176,854	203,210
Current liabilities			
Other payables and receipts in advance		6,611	6,322
Deposits received from tenants		9,282	8,861
Tax payable		1,727	474
Lease liabilities	<i>16</i>	569	562
Secured bank borrowings – due within one year	<i>17</i>	2,827	3,006
		21,016	19,225
Net current assets		155,838	183,985
Total assets less current liabilities		2,753,499	2,817,168

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Deposits received from tenants		9,200	9,994
Lease liabilities	<i>16</i>	–	286
Secured bank borrowings – due after one year	<i>17</i>	45,861	47,150
Deferred tax liabilities		33,752	32,929
		<u>88,813</u>	<u>90,359</u>
Net assets		<u>2,664,686</u>	<u>2,726,809</u>
Capital and reserves			
Share capital	<i>18</i>	229,386	229,386
Reserves		2,435,300	2,497,423
Total equity		<u>2,664,686</u>	<u>2,726,809</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Fair value through other comprehensive income ("FVTOCI") 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 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 fair value through other comprehensive income	-	-	(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 (<i>note 8</i>)	-	-	-	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
At 1 April 2021 (Audited)	229,386	1,016	(2,021)	5,822	2,648,151	2,882,354
Profit for the period	-	-	-	-	4,011	4,011
Other comprehensive income (expense):						
Net loss arising on revaluation of debt instruments at FVTOCI	-	-	(47,754)	-	-	(47,754)
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	-	-	46	-	-	46
Exchange differences arising on translation of foreign operations	-	(57)	-	-	-	(57)
Total comprehensive income (expense) for the period	-	(57)	(47,708)	-	4,011	(43,754)
Dividends declared	-	-	-	3,327	(3,327)	-
Dividends paid	-	-	-	(5,822)	-	(5,822)
At 30 September 2021 (Unaudited)	229,386	959	(49,729)	3,327	2,648,835	2,832,778

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 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 2022 that is included in the Interim Report 2022 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 2022 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 2022 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 2022.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022.

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 2022

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 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 fair value through profit or loss (“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 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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
(Loss) profit from operations	(10,876)	3,233	(7,643)
Finance costs	(9)	(452)	(461)
Share of results of associates	(3,703)	–	(3,703)
	(14,588)	2,781	(11,807)
(Loss) profit before taxation			
Taxation	(1,952)	(769)	(2,721)
	(16,540)	2,012	(14,528)
	(16,540)	2,012	(14,528)

At 30 September 2022

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	2,446,449	328,066	2,774,515
Segment liabilities	(52,339)	(57,490)	(109,829)
	2,394,110	270,576	2,664,686
	2,394,110	270,576	2,664,686

Other segment information:

Depreciation and amortisation	846	–	846
	846	–	846

For the six months ended 30 September 2021

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	30,865	–	30,865
Property expenses	(641)	–	(641)
	30,224	–	30,224
Gross profit			
Fair value loss on investment properties	(9,200)	–	(9,200)
Loss on derecognition of debt instruments at FVTOCI	–	(9,657)	(9,657)
Loss on disposal of financial assets at FVTPL	–	(1,026)	(1,026)
Unrealised loss on revaluation of financial assets at FVTPL	–	(3,757)	(3,757)
Dividend income from equity securities	–	723	723
Interest income	69	17,231	17,300
Other income, gains and losses, net	2,110	361	2,471
Administrative expenses	(12,896)	(1,969)	(14,865)
	10,307	1,906	12,213
Profit from operations			
Finance costs	(14)	(1,523)	(1,537)
Share of results of associates	(3,860)	–	(3,860)
	6,433	383	6,816
Profit before taxation			
Taxation	(2,508)	(297)	(2,805)
	3,925	86	4,011
	3,925	86	4,011

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

At 31 March 2022

	Property investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	2,504,388	332,005	2,836,393
Segment liabilities	(54,499)	(55,085)	(109,584)
Net assets	<u>2,449,889</u>	<u>276,920</u>	<u>2,726,809</u>
Other segment information:			
Depreciation and amortisation	<u>2,259</u>	<u>–</u>	<u>2,259</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\$25.7 million (six months ended 30 September 2021: approximately HK\$30.9 million) are rental income of approximately HK\$1.8 million (six months ended 30 September 2021: approximately HK\$3.1 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 2022 and 2021.

4. TURNOVER

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

5. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
(Loss) profit from operations has been arrived at after charging:		
Staff costs (including directors' emoluments)	12,302	11,168
Retirement benefits scheme contributions	<u>62</u>	<u>124</u>
Total staff costs	12,364	11,292
Auditor's remuneration	256	221
Depreciation of property, plant and equipment	518	592
Depreciation of right-of-use assets	328	567
Reversal of provision for allowance for credit loss	(233)	–
Reversal of impairment loss on debt instruments at FVTOCI	(4,269)	–
Exchange loss (gain), net	801	(593)
Loss on disposal of financial assets at FVTPL	2,060	1,026
Loss on derecognition of debt instruments at FVTOCI	8	9,657
Unrealised loss on revaluation of financial assets at FVTPL	5,662	3,757

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
and after crediting:		
Dividend income from equity securities	467	723
Government subsidies	310	–
Gross rental income from investment properties	25,669	30,865
Less:		
Direct operating expenses from investment properties that generated rental income	(216)	(198)
Direct operating expenses from investment properties that did not generate rental income	(723)	(443)
	<u>24,730</u>	<u>30,224</u>
Net rental income	<u><u>24,730</u></u>	<u><u>30,224</u></u>
6. FINANCE COSTS		
	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	452	1,523
Interest expense on lease liabilities	9	14
	<u>461</u>	<u>1,537</u>
	<u><u>461</u></u>	<u><u>1,537</u></u>
7. TAXATION		
	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	1,908	1,997
Deferred taxation		
Current period	813	808
	<u>2,721</u>	<u>2,805</u>
	<u><u>2,721</u></u>	<u><u>2,805</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

8. INTERIM DIVIDENDS

For the financial year ended 31 March 2022, final dividend of HK1.5 cents (2021: HK2.1 cents) per share was paid to the shareholders of the Company on 16 September 2022.

For the six months ended 30 September 2022, the Board of Directors has declared an interim dividend of HK0.5 cent (six months ended 30 September 2021: an interim dividend of HK1.2 cents) per share amounting to approximately HK\$1,386,000 (six months ended 30 September 2021: approximately HK\$3,327,000) payable to the shareholders of the Company.

9. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$14,528,000 (six months ended 30 September 2021: profit for the period attributable to owners of the Company of approximately HK\$4,011,000) and on outstanding number of 277,232,883 ordinary shares in issue during both periods.

Diluted (loss) earnings per share is 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

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
FAIR VALUE		
At beginning of the period/year	2,163,826	2,226,650
Fair value loss recognised in profit or loss	(24,130)	(62,827)
Exchange adjustments	(268)	3
	<u>2,139,428</u>	<u>2,163,826</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Carrying amounts at beginning of the period/year	1,625	2,823
Depreciation for the period/year	(518)	(1,198)
	<u>1,107</u>	<u>1,625</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022			
Carrying amounts	14,644	940	15,584
As at 30 September 2022			
Carrying amounts	14,598	658	15,256
Six months ended 30 September 2022			
Depreciation charge	<u>46</u>	<u>282</u>	<u>328</u>
Total cash outflow for leases			<u>(288)</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 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Share of net assets	266,386	270,138
Amounts due to associates	<u>(3,819)</u>	<u>(3,037)</u>
	<u>262,567</u>	<u>267,101</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 2022

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Current assets	9,367	3,176
Non-current assets	548,488	562,820
Current liabilities	(4,017)	(8,968)
Non-current liabilities	<u>(21,066)</u>	<u>(16,751)</u>
Net assets	<u>532,772</u>	<u>540,277</u>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	<u>266,386</u>	<u>270,138</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

Profit or loss and other comprehensive income for the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover	<u>7,463</u>	<u>8,813</u>
Loss for the period	(7,406)	(7,720)
Other comprehensive income	<u>–</u>	<u>–</u>
Total comprehensive expense for the period	<u>(7,406)</u>	<u>(7,720)</u>
Share of results of associates comprises:		
Share of loss of associates	(3,326)	(3,448)
Share of taxation of associates	<u>(377)</u>	<u>(412)</u>
	<u>(3,703)</u>	<u>(3,860)</u>

14. FINANCIAL ASSETS

	30 September 2022	31 March 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current:		
Debt instruments at FVTOCI		
– Unlisted debt securities (<i>note (iii)</i>)	21,774	–
– Listed debt securities (<i>note (i)</i>)	<u>156,573</u>	<u>183,531</u>
	178,347	183,531
Financial assets at FVTPL		
– Unlisted club debenture	<u>430</u>	<u>430</u>
	<u>178,777</u>	<u>183,961</u>
Current:		
Debt instruments at FVTOCI		
– Listed debt securities (<i>note (i)</i>)	<u>1,430</u>	<u>1,341</u>
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	16,567	19,350
– Listed equity securities in overseas	<u>344</u>	<u>13,719</u>
	<u>16,911</u>	<u>33,069</u>
	<u>18,341</u>	<u>34,410</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022, such financial assets at FVTOCI constitute approximately 6.48% (31 March 2022: 6.52%) 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 has reversal of impairment loss on debt instruments at fair value through other comprehensive income of approximately HK\$4,269,000 for the current period (30 September 2021: Nil).

- (ii) At 30 September 2022 and 31 March 2022, 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 2022 and 31 March 2022, 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 credit loss) of approximately HK\$1,609,000 (31 March 2022: approximately HK\$1,701,000) with defined 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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 30 days	657	–
31 – 60 days	550	1,696
61 – 90 days	235	5
Over 90 days	167	–
	<u>1,609</u>	<u>1,701</u>

Included in the other receivables, there are amounts due from associates of approximately HK\$153,000 as at 30 September 2022 (31 March 2022: approximately HK\$306,000).

16. LEASE LIABILITIES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within one year	569	562
Within a period of more than one year but not exceeding two years	–	286
	<u>569</u>	<u>848</u>
Less: Amount due for settlement within one year shown under current liabilities	<u>(569)</u>	<u>(562)</u>
Amount due for settlement after one year shown under non-current liabilities	<u>–</u>	<u>286</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

17. SECURED BANK BORROWINGS

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	2,827	3,006
More than one year but not exceeding two years	2,895	3,050
More than two years but not exceeding five years	9,135	9,432
More than five years	33,831	34,668
	<u>48,688</u>	<u>50,156</u>
Less: Amounts due within one year shown under current liabilities	<u>(2,827)</u>	<u>(3,006)</u>
Amounts due after one year	<u><u>45,861</u></u>	<u><u>47,150</u></u>

All of the bank borrowings were denominated in Hong Kong dollars with interest rate at 1.25% over HIBOR per annum (31 March 2022: 1.25% over HIBOR per annum).

18. SHARE CAPITAL

	30 September 2022		31 March 2022	
	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 2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Management fee income received from associates	<u>1,412</u>	<u>1,452</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	7,979	7,081
Contributions to retirement benefit scheme	27	18
	<hr/>	<hr/>
	8,006	7,099
	<hr/> <hr/>	<hr/> <hr/>

20. PLEDGE OF ASSETS

At 30 September 2022, the Group's banking facilities amounted to approximately HK\$549,188,000 (31 March 2022: approximately HK\$550,657,000). The Group has utilised loan facilities from banks with an amount of approximately HK\$48,688,000 (31 March 2022: approximately HK\$50,156,000).

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

- i) Investment properties with carrying amount of approximately HK\$483,300,000 (31 March 2022: approximately HK\$496,000,000);
- ii) Debt instruments at FVTOCI and financial assets at FVTPL with carrying amount in a total of approximately HK\$130,356,000 (31 March 2022: approximately HK\$144,290,000); and
- iii) Pledged bank deposits with carrying amount of approximately HK\$42,014,000 (31 March 2022: approximately HK\$20,417,000).

21. CONTINGENT LIABILITIES

As at 30 September 2022 and 31 March 2022, the Group did not have any material contingent liabilities.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At 30 September 2022, the investment properties of the Group are expected to generate average rental yields of approximately 2.40% (31 March 2022: 2.64%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years (31 March 2022: three years).

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

	30 September 2022	31 March 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	36,964	36,469
In the second year	13,958	14,055
In the third year	241	2,162
	<hr/>	<hr/>
	51,163	52,686
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs
Financial assets at FVTOCI				
– Listed debt instruments	158,003	184,872	Level 1	Quoted prices in active markets
– Unlisted debt instruments	21,774	–	Level 2	Quoted prices provided by financial institution
Financial assets at FVTPL				
– Listed equity securities	16,911	33,069	Level 1	Quoted prices in active markets
– Unlisted club debenture	430	430	Level 2	Market approach

During the six months ended 30 September 2022, there were no transfers between instruments in Level 1, Level 2 and Level 3 (31 March 2022: 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 HK0.5 cent per share for the six months ended 30 September 2022. The interim dividend will be paid on or about Friday, 30 December 2022 to shareholders of the Company whose names appear on the Register of Members of the Company on Monday, 19 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 15 December 2022 to Monday, 19 December 2022, 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 Wednesday, 14 December 2022.

FINANCIAL REVIEW

Financial Results

Revenue

The revenue of the Group for the period decreased by 16.8% to HK\$25.7 million as compared with prior period (2021: HK\$30.9 million). The decrease in revenue was primarily due to decrease in rental rates upon renewal of Group's properties.

Treasury investment income

The Group's treasury investment income mainly represented interest income of HK\$8.5 million (2021:HK\$17.2 million) derived from its investments in debt securities, a decrease of HK\$8.7 million. This was due to a lower average carrying value of investments in debt securities during the period.

A fair value loss of HK\$5.7 million (2021:HK\$3.8 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\$39.3 million was recorded during the period.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the period was HK\$14.5 million.

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

- The downturn economy has negative impact on the rental rates upon renewal. Rental income for the period decreased by HK\$5.2 million as compared to last comparable period.
- A greater decrease in fair value of investment properties upon revaluation at period end. Decrease in fair value of investment properties of HK\$24.1 million (2021: HK\$9.2 million) was reported during the period.

Loss per share

Loss per share amounted to HK5.24 cents (2021: earnings per share HK1.45 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 2022, the Group's net bank balances and cash amounted to HK\$95.7 million (31 March 2022: HK\$104.9 million), represented pledged bank deposits and bank balances and cash of HK\$144.4 million (31 March 2022: HK\$155.1 million) less bank borrowings of HK\$48.7 (31 March 2022: HK\$50.2 million).

At 30 September 2022, the Group's total banking facilities amounting to HK\$549.2 million (31 March 2022: HK\$550.7 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\$655.7 million (31 March 2022: HK\$660.7 million).

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
Bank loans are repayable as follows:		
On demand or within one year	2,827	3,006
More than one year but not exceeding two years	2,895	3,050
More than two years but not exceeding five years	9,135	9,432
More than five years	33,831	34,668
	<u>48,688</u>	<u>50,156</u>

At 30 September 2022, the current ratio (current assets/current liabilities) of the Group was 8.4 times (31 March 2022: 10.6 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 9.

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 2022, the Group's shareholders' funds remain stable at HK\$2,664.7 million (31 March 2022: HK\$2,726.8 million).

The net asset value per share was HK\$9.6 (31 March 2022: HK\$9.8).

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\$39.3 million.

At 30 September 2022, 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.
- During the period, the Group providing short-term relief measures to tenants, resulting downward adjustment on the Group's rental income.
- The occupancy rate for the period is 89.7%, a slight increase of 0.2% as compared with last comparable period of 89.5%.
- 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\$3.7 million, a decrease of HK\$0.7 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 2022, the portfolio of securities investments and treasury products of HK\$196.7 million comprise debt securities of HK\$179.8 million and listed equities of HK\$16.9 million.

Group held debt securities investments of HK\$179.8 million, a 2.8% decreased as compared with year ended at 31 March 2022.

Group held listed equity securities investments of HK\$16.9 million, a 48.9% decreased as compared with year ended at 31 March 2022.

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

Employees

At 30 September 2022, the total number of staff of the Group was 16 (2021: 17). The total staff costs including Directors' emoluments for the six months ended 30 September 2022 amounted to HK\$12.4 million (2021: HK\$11.3 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

Adverse impacts of the Covid-19 pandemic continued to hinder global economics recovery. Global supply chains and travel restrictions were severely disrupted by city lockdowns. As more countries gradually open up their borders, the impact of the pandemic may be mitigated. However, energy prices experienced fluctuations amidst the ongoing tensions of the conflict between Russia and Ukraine. At the same time there were significant differences among countries in their pace of recovery, which dampened investment sentiment and slowed down the global economic growth.

Stringent social distancing restrictions were imposed in the wake of the fifth wave of COVID-19 outbreak in Hong Kong in the first quarter of 2022. Tenants in the retail and catering industries continued to encounter difficult business environment due to prolonged borders closure as evidenced by the border lockdown with mainland China, resulting in a continuous decline in the Group's rental income. We believe rents will not stabilize until at least the first quarter of next year.

The stock market took a nosedive in the first half of 2022 and was expected to remain volatile. Investment sentiment was stifled by market concerns over uncertainties in interest rate hike in the United States, rising inflation and the ongoing strained Sino-U.S. relations. Fortunately, the pandemic was primarily brought under control in the second quarter in Hong Kong. The recent marginal loosening of quarantine requirements for inbound travelers by the government and the recent announcement of major international events and conferences to be hosted in Hong Kong are indicative of further relaxation of travel restrictions in the coming months. Together with the introductions of a series of government relief measures and consumption vouchers to stimulate eligible residents, consumption, it is believed that the overall economic activities will progressively regain momentum in the second half of 2022.

Although we remain optimistic about the outlook of the Hong Kong economy in the long run, the Hong Kong economy remains vulnerable to external factors. In the face of heated inflation and the tightening of monetary policy in the United States, the Group will adopt prudent a approach amid the high-interest landscape and strive to bring better returns to shareholders by maintaining a low level of debts and continuing to look for attractive opportunities.

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 2022.

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 2022 and the 2022/2023 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2022, 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 2022.

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

Hong Kong, 23 November 2022

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.