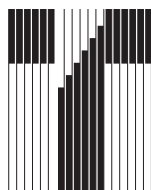


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TERN PROPERTIES COMPANY LIMITED

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 2021

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 2021, 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 2021

		Six months ended	
		30 September	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	30,865	32,824
Property expenses		(641)	(871)
Gross profit		30,224	31,953
Fair value loss on investment properties		(9,200)	(87,300)
Realised loss on derecognition of debt instruments at fair value through other comprehensive income		(9,657)	(2,814)
Realised (loss) gain on disposal of financial assets at fair value through profit or loss		(1,026)	1,159
Unrealised (loss) gain on revaluation of financial assets at fair value through profit or loss		(3,757)	2,251
Dividend income		723	306
Interest income		17,300	18,119
Other income, gains and losses, net		2,471	2,663
Administrative expenses		(14,865)	(14,451)

		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit (loss) from operations	5	12,213	(48,114)
Finance costs	6	(1,537)	(2,647)
Share of results of associates	13	(3,860)	(4,590)
		<hr/>	<hr/>
Profit (loss) before taxation		6,816	(55,351)
Taxation	7	(2,805)	(3,872)
		<hr/>	<hr/>
Profit (loss) for the period attributable to owners of the Company		4,011	(59,223)
		<hr/>	<hr/>
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net (loss) gain arising on revaluation of debt instruments at fair value through other comprehensive income		(47,754)	43,155
Release on derecognition of debt instruments at fair value through other comprehensive income		46	8,765
Exchange differences arising on translation of foreign operations		(57)	–
		<hr/>	<hr/>
Other comprehensive (expense) income for the period, net of tax		(47,765)	51,920
		<hr/>	<hr/>
Total comprehensive expense for the period attributable to owners of the Company		(43,754)	(7,303)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share			
Basic and diluted	9	HK1.45 cents	(HK21.36 cents)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Investment properties	<i>10</i>	2,217,420	2,226,650
Property, plant and equipment	<i>11</i>	2,231	2,823
Right-of-use assets	<i>12</i>	15,470	16,037
Interests in associates	<i>13</i>	273,467	280,778
Debt instruments at fair value through other comprehensive income	<i>14</i>	279,367	418,408
Financial assets at fair value through profit or loss	<i>14</i>	430	430
Deferred rental income		490	559
Deferred tax assets		99	88
		<u>2,788,974</u>	<u>2,945,773</u>
Current assets			
Trade and other receivables	<i>15</i>	15,317	15,059
Debt instruments at fair value through other comprehensive income redeemable within one year	<i>14</i>	10,941	24,073
Financial assets at fair value through profit or loss	<i>14</i>	51,399	44,723
Deferred rental income – current portion		841	308
Tax recoverable		1,415	1,313
Pledged bank deposits		97,187	69,606
Bank balances and cash		86,284	89,453
		<u>263,384</u>	<u>244,535</u>
Current liabilities			
Other payables and receipts in advance		7,255	7,958
Deposits received from tenants		15,801	14,523
Tax payable		3,139	2,186
Lease liabilities	<i>16</i>	793	1,047
Secured bank borrowings – due within one year	<i>17</i>	9,004	14,836
		<u>35,992</u>	<u>40,550</u>

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Net current assets		<u>227,392</u>	<u>203,985</u>
Total assets less current liabilities		<u>3,016,366</u>	<u>3,149,758</u>
Non-current liabilities			
Deposits received from tenants		6,837	7,146
Lease liabilities	16	–	266
Secured bank borrowings – due after one year	17	144,625	228,685
Deferred tax liabilities		<u>32,126</u>	<u>31,307</u>
		<u>183,588</u>	<u>267,404</u>
Net assets		<u><u>2,832,778</u></u>	<u><u>2,882,354</u></u>
Capital and reserves			
Share capital	18	229,386	229,386
Reserves		<u>2,603,392</u>	<u>2,652,968</u>
Total equity		<u><u>2,832,778</u></u>	<u><u>2,882,354</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	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 2021 (Audited)	<u>229,386</u>	<u>1,016</u>	<u>(2,021)</u>	<u>5,822</u>	<u>2,648,151</u>	<u>2,882,354</u>
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 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	<u>-</u>	<u>(57)</u>	<u>(47,708)</u>	<u>-</u>	<u>4,011</u>	<u>(43,754)</u>
Dividends declared (<i>note 8</i>)	-	-	-	3,327	(3,327)	-
Dividends paid	-	-	-	(5,822)	-	(5,822)
At 30 September 2021 (Unaudited)	<u>229,386</u>	<u>959</u>	<u>(49,729)</u>	<u>3,327</u>	<u>2,648,835</u>	<u>2,832,778</u>
At 1 April 2020 (Audited)	<u>229,386</u>	<u>-</u>	<u>(65,731)</u>	<u>7,485</u>	<u>2,792,360</u>	<u>2,963,500</u>
Loss for the period	-	-	-	-	(59,223)	(59,223)
Other comprehensive income:						
Net gain arising on revaluation of debt instruments at FVTOCI	-	-	43,155	-	-	43,155
Release on derecognition of debt instruments at FVTOCI	-	-	8,765	-	-	8,765
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>51,920</u>	<u>-</u>	<u>(59,223)</u>	<u>(7,303)</u>
Dividends declared	-	-	-	4,158	(4,158)	-
Dividends paid	-	-	-	(7,485)	-	(7,485)
At 30 September 2020 (Unaudited)	<u>229,386</u>	<u>-</u>	<u>(13,811)</u>	<u>4,158</u>	<u>2,728,979</u>	<u>2,948,712</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	17,582	19,367
Profits tax (paid) refunded	(1,146)	16
	<u>16,436</u>	<u>19,383</u>
Investing activities		
Interest received	17,791	20,917
Dividend received from investments	723	306
Purchase of debt instruments at FVTOCI	(46,363)	(7,750)
Proceeds from derecognition of debt instruments at FVTOCI	141,666	127,634
Purchase of financial assets at fair value through profit or loss ("FVTPL")	(57,685)	(18,718)
Proceeds from disposal of financial assets at FVTPL	46,226	58,517
	<u>102,358</u>	<u>180,906</u>
Financing activities		
Dividend paid	(5,822)	(7,485)
Interest paid	(1,559)	(2,807)
New bank borrowings raised	–	223,080
Repayment of bank borrowings	(89,892)	(279,373)
Advance from associates	3,452	1,433
Repayment of lease liabilities	(534)	(552)
	<u>(94,355)</u>	<u>(65,704)</u>
Net increase in cash and cash equivalents	24,439	134,585
Effect of foreign exchange rate changes	(27)	–
Cash and cash equivalents at beginning of the period	159,059	22,117
	<u>183,471</u>	<u>156,702</u>
Cash and cash equivalents at end of the period	183,471	156,702
Cash and cash equivalents represented by:		
Bank balances and cash	86,284	139,487
Pledged bank deposits	97,187	17,215
	<u>183,471</u>	<u>156,702</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 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 2021 that is included in the Interim Report 2021 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 2021 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 2021 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 2021.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021.

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.

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

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 (including 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 segments 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 gain (loss) on revaluation of financial assets at FVTPL, realised loss on derecognition of financial assets at FVTOCI, realised gain (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 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)
Gross profit	30,224	–	30,224
Fair value loss on investment properties	(9,200)	–	(9,200)
Realised loss on derecognition of debt instruments at FVTOCI	–	(9,657)	(9,657)
Realised 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)
Profit from operations	10,307	1,906	12,213
Finance costs	(14)	(1,523)	(1,537)
Share of results of associates	(3,860)	–	(3,860)
Profit before taxation	6,433	383	6,816
Taxation	(2,508)	(297)	(2,805)
Profit for the period	<u>3,925</u>	<u>86</u>	<u>4,011</u>

At 30 September 2021

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	2,563,032	489,326	3,052,358
Segment liabilities	(64,464)	(155,116)	(219,580)
Net assets	<u>2,498,568</u>	<u>334,210</u>	<u>2,832,778</u>
Other segment information:			
Depreciation and amortisation	<u>1,159</u>	–	<u>1,159</u>

For the six months ended 30 September 2020

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	32,824	–	32,824
Property expenses	(871)	–	(871)
Gross profit	31,953	–	31,953
Fair value loss on investment properties	(87,300)	–	(87,300)
Realised loss on derecognition of debt instruments at FVTOCI	–	(2,814)	(2,814)
Realised gain on disposal of financial assets at FVTPL	–	1,159	1,159
Unrealised gain on revaluation of financial assets at FVTPL	–	2,251	2,251
Dividend income from equity securities	–	306	306
Interest income	353	17,766	18,119
Other income, gains and losses, net	2,710	(47)	2,663
Administrative expenses	(12,648)	(1,803)	(14,451)
Profit (loss) from operations	(64,932)	16,818	(48,114)
Finance costs	(13)	(2,634)	(2,647)
Share of results of associates	(4,590)	–	(4,590)
Profit (loss) before taxation	(69,535)	14,184	(55,351)
Taxation	(2,665)	(1,207)	(3,872)
Profit (loss) for the period	<u>(72,200)</u>	<u>12,977</u>	<u>(59,223)</u>
At 31 March 2021			
	Property investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	2,586,358	603,950	3,190,308
Segment liabilities	(63,031)	(244,923)	(307,954)
Net assets	<u>2,523,327</u>	<u>359,027</u>	<u>2,882,354</u>
Other segment information:			
Depreciation and amortisation	<u>2,397</u>	<u>–</u>	<u>2,397</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\$30.9 million (six months ended 30 September 2020: approximately HK\$32.8 million) are rental income of approximately HK\$3.1 million (six months ended 30 September 2020: approximately HK\$3.6 million) attributable to the Group's largest tenant. No other single customer contributed 10% or more to the Group's turnover for both periods ended 30 September 2021 and 2020.

4. TURNOVER

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

5. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) from operations has been arrived at after charging:		
Staff costs (including directors' emoluments)	11,168	10,896
Retirement benefits scheme contributions	124	118
Total staff costs	11,292	11,014
Auditor's remuneration	221	243
Depreciation of property, plant and equipment	592	628
Depreciation of right-of-use assets	567	588
Provision for allowance for credit loss	–	500
Realised loss on disposal of financial assets at FVTPL	1,026	–
Realised loss on derecognition of debt instruments at FVTOCI	9,657	2,814
Unrealised loss on revaluation of financial assets at FVTPL	3,757	–
and after crediting:		
Dividend income from equity securities	723	306
Exchange gain, net	593	175
Realised gain on disposal of financial assets at FVTPL	–	1,159
Unrealised gain on revaluation of financial assets at FVTPL	–	2,251
Gross rental income from investment properties	30,865	32,824
Less:		
Direct operating expenses from investment properties that generated rental income	(198)	(317)
Direct operating expenses from investment properties that did not generate rental income	(443)	(554)
Net rental income	30,224	31,953

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	1,523	2,633
Interest expense on lease liabilities	14	14
	<u>1,537</u>	<u>2,647</u>

7. TAXATION

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	1,997	3,072
Deferred taxation		
Current period	<u>808</u>	<u>800</u>
	<u>2,805</u>	<u>3,872</u>

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the period.

8. INTERIM DIVIDENDS

For the financial year ended 31 March 2021, final dividend of HK2.1 cents (2020: HK2.7 cents) per share was paid to the shareholders of the Company on 8 September 2021.

For the six months ended 30 September 2021, the Board of Directors has declared an interim dividend of HK1.2 cents (six months ended 30 September 2020: an interim dividend of HK1.5 cents) per share amounting to approximately HK\$3,327,000 (six months ended 30 September 2020: approximately HK\$4,158,000) 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\$4,011,000 (six months ended 30 September 2020: loss attributable to owners of the Company of approximately HK\$59,223,000) 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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	2,226,650	2,408,988
Fair value loss recognised in profit or loss	(9,200)	(182,854)
Exchange adjustments	(30)	516
	<u>2,217,420</u>	<u>2,226,650</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Carrying amounts at beginning of the period/year	2,823	4,066
Depreciation for the period/year	(592)	(1,243)
	<u>2,231</u>	<u>2,823</u>

12. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Leased property HK\$'000	Total HK\$'000
As at 31 March 2021			
Carrying amounts	14,736	1,301	16,037
As at 30 September 2021			
Carrying amounts	14,690	780	15,470
Six months ended 30 September 2021			
Depreciation charge	<u>46</u>	<u>521</u>	<u>567</u>
Total cash outflow for leases			<u>(534)</u>

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

The Group leases a property for its director's quarter. Lease contract is entered into for fixed term of 2 years for the property. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Share of net assets	278,248	282,107
Amounts due to associates	<u>(4,781)</u>	<u>(1,329)</u>
	<u>273,467</u>	<u>280,778</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 2021

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Current assets	2,697	963
Non-current assets	581,613	588,093
Current liabilities	(11,470)	(8,862)
Non-current liabilities	<u>(16,345)</u>	<u>(15,979)</u>
Net assets	<u>556,495</u>	<u>564,215</u>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	<u>278,248</u>	<u>282,107</u>

Profit or loss and other comprehensive income for the six months ended 30 September 2021

	Six months ended 30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Turnover	<u>8,813</u>	<u>10,282</u>
Loss for the period	(7,720)	(9,179)
Other comprehensive income	<u>–</u>	<u>–</u>
Total comprehensive expense for the period	<u>(7,720)</u>	<u>(9,179)</u>
Share of results of associates comprises:		
Share of loss of associates	(3,448)	(4,061)
Share of taxation of associates	<u>(412)</u>	<u>(529)</u>
	<u>(3,860)</u>	<u>(4,590)</u>

14. FINANCIAL ASSETS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Non-current:		
Debt instruments at FVTOCI		
– Listed debt securities (<i>note (i)</i>)	279,367	418,408
Financial assets at FVTPL		
– Unlisted club debenture	<u>430</u>	<u>430</u>
	<u>279,797</u>	<u>418,838</u>
Current:		
Debt instruments at FVTOCI		
– Listed debt securities (<i>note (i)</i>)	<u>10,941</u>	<u>24,073</u>
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	35,793	33,315
– Listed equity securities in overseas	<u>15,606</u>	<u>11,408</u>
	<u>51,399</u>	<u>44,723</u>
	<u>62,340</u>	<u>68,796</u>

Note:

- (i) Financial assets at FVTOCI include debt instruments held by the Group and which are listed on recognised stock exchanges in Hong Kong and overseas, the issuers of which include those that are engaged in, among others, the aviation, banking, hospitality and real estate businesses. Such debt instruments' maturity dates vary from 2022 to 2049 and include those that are perpetual.

As of 30 September 2021, such financial assets at FVTOCI constitute approximately 9.51% (31 March 2021: 13.87%) 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.

- (ii) At 30 September 2021 and 31 March 2021, 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 respective recognised stock exchanges.

15. TRADE AND OTHER RECEIVABLES

Included in the trade receivables were rental receivables (net of allowance for credit loss) of approximately HK\$2,212,000 (31 March 2021: approximately HK\$2,276,000) 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 on debit note is as below:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Within 30 days	271	–
31 – 60 days	58	1,590
61 – 90 days	119	306
Over 90 days	1,764	380
	<u>2,212</u>	<u>2,276</u>

Included in the other receivables, there are amounts due from associates of approximately HK\$1,064,000 as at 30 September 2021 (31 March 2021: approximately HK\$1,018,000).

16. LEASE LIABILITIES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Within one year	793	1,047
Within a period of more than one year but not exceeding two years	–	266
	793	1,313
Less: Amount due for settlement within one year shown under current liabilities	<u>(793)</u>	<u>(1,047)</u>
Amount due for settlement after one year shown under non-current liabilities	<u>–</u>	<u>266</u>

17. SECURED BANK BORROWINGS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	9,004	14,836
More than one year but not exceeding two years	9,074	15,048
More than two years but not exceeding five years	28,041	46,444
More than five years	<u>107,510</u>	<u>167,193</u>
	153,629	243,521
Less: Amounts due within one year shown under current liabilities	<u>(9,004)</u>	<u>(14,836)</u>
Amounts due after one year	<u>144,625</u>	<u>228,685</u>

All of the bank borrowings were denominated in Hong Kong dollars with interest rate at 1.25% over HIBOR per annum (31 March 2021: 1.25% over HIBOR per annum).

18. SHARE CAPITAL

	30 September 2021		31 March 2021	
	Number of ordinary shares (Unaudited)	Amount HK\$'000 (Unaudited)	Number of ordinary shares (Audited)	Amount HK\$'000 (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 transaction with the associates of the Group during the period. The transaction prices were determined by the directors of the Company as estimated market price.

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Management fee income received from associates	<u>1,452</u>	<u>1,670</u>

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	7,081	6,940
Contributions to retirement benefit scheme	18	18
	<u>7,099</u>	<u>6,958</u>

20. PLEDGE OF ASSETS

At 30 September 2021, the Group's banking facilities amounted to approximately HK\$404,295,000 (31 March 2021: approximately HK\$744,021,000). The Group has utilised loan facilities from banks with an amount of approximately HK\$153,629,000 (31 March 2021: approximately HK\$243,521,000).

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

- Investment properties with carrying amount of approximately HK\$519,000,000 (31 March 2021: approximately HK\$525,300,000);
- Debt instruments at FVTOCI and financial assets at FVTPL with carrying amount in total of approximately HK\$239,022,000 (31 March 2021: approximately HK\$412,892,000); and
- Pledged bank deposits with carrying amount of approximately HK\$97,187,000 (31 March 2021: approximately HK\$69,606,000).

21. CONTINGENT LIABILITIES

As at 30 September 2021 and 31 March 2021, the Group did not have any material contingent liabilities.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At 30 September 2021, the investment properties of the Group are expected to generate average rental yields of approximately 2.78% (31 March 2021: 2.90%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (31 March 2021: four years).

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

	30 September 2021	31 March 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	33,230	41,209
In the second year	12,948	10,964
In the third year	2,301	2,900
In the fourth year	—	42
	<u>48,479</u>	<u>55,115</u>

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			Valuation
	30 September	31 March	Fair value	techniques and
	2021	2021	hierarchy	key inputs
	<i>HK\$'000</i>	<i>HK\$'000</i>		
	(Unaudited)	(Audited)		
Financial assets at FVTOCI				
– Listed debt instruments	290,308	442,481	Level 1	Quoted market prices in active market
Financial assets at FVTPL				
– Listed equity securities	51,399	44,723	Level 1	Quoted market prices in active market
– Unlisted club debenture	430	430	Level 2	Market approach

During the six months ended 30 September 2021, there were no transfer between instruments in Level 1, Level 2 and Level 3 (31 March 2021: 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 fair values.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1.2 cents per share for the six months ended 30 September 2021. The interim dividend will be paid on or about Thursday, 30 December 2021 to shareholders of the Company whose names appear on the Register of Members of the Company on Friday, 17 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 15 December 2021 to Friday, 17 December 2021, 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 Tuesday, 14 December 2021.

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	
		2021	2020
For the period	Turnover	30,865	32,824
	Profit (loss) for the period attributable to owners of the Company	4,011	(59,223)
As at 30 September	Capital & reserves attributable to owners of the Company	2,832,778	2,948,712
	Shares in issue (thousands)	277,233	277,233
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	0.47%	0.94%
	Gearing	0%	3.2%
Per share	Net worth per share (HK\$)	10.22	10.64
	Basic earnings (loss) per share (HK cents)	1.45	(21.36)
	Interim dividend declared per share (HK cents)	1.2	1.5

FINANCIAL REVIEW

Financial Results

Turnover

The turnover of the Group for the period decreased by 6% to HK\$30.9 million as compared with prior period (2020: HK\$32.8 million). The decrease in revenue was primarily due to decrease in rental rates upon renewal of Group's retail shop properties.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company for the period was HK\$4.0 million.

The increase in the profit attributable to the owners of the Company was due to lesser decrease in fair value of investment properties during the period.

Decrease in fair value of investment properties of HK\$9.2 million (2020: HK\$87.3 million) was reported during the period.

Earnings per share

Earnings per share amounted to HK1.45 cents (2020: loss per share HK21.36 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 2021, the Group's net bank balances and cash amounted to HK\$29.9 million, represented pledged bank deposits and bank balances and cash of HK\$183.5 million less bank borrowings of HK\$153.6 million.

At 31 March 2021, the Group's net bank borrowings amounted to HK\$84.4 million, represented bank borrowings of HK\$243.5 million less pledged bank deposits and bank balances and cash of HK\$159.1 million. The Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 0% (31 March 2021: 2.9%).

At 30 September 2021, the Group's total banking facilities amounting to HK\$404.3 million (31 March 2021: HK\$744.0 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\$855.2 million (31 March 2021: HK\$1,007.8 million).

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Bank loans are repayable as follows:		
On demand or within one year	9,004	14,836
More than one year but not exceeding two years	9,074	15,048
More than two years but not exceeding five years	28,041	46,444
More than five years	107,510	167,193
	153,629	243,521

At 30 September 2021, the current ratio (current assets/current liabilities) of the Group was 7.3 times (31 March 2021: 6.0 times).

Segment information

Detailed segmental information in respect of the turnover and profit or loss is shown in note 3 to this announcement on pages 8 to 11.

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 this announcement on page 18.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 21 to this announcement on page 18.

Shareholders' Funds

At 30 September 2021, the Group's shareholders' funds remain stable at HK\$2,832.8 million (31 March 2021: HK\$2,882.4 million).

The net asset value per share was HK\$10.22 (31 March 2021: HK\$10.40).

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\$47.8 million.

At 30 September 2021, 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 89.5%, a slight decrease of 2.2% as compared with last comparable period of 91.7%.
- 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\$4.4 million, a decrease of HK\$0.7 million as compared with last comparable period.

Treasury investment operation

- Interest income and dividend income derived from the Group investment in debt and equity securities during the period is HK\$18.0 million, remained at same level as compared with last period of HK\$18.0 million.
- On 30 September 2021, the Group held debt securities investments of HK\$290.3 million, a 34.4% decreased as compared with year ended at 31 March 2021.

Employees

At 30 September 2021, the total number of staff of the Group was 17 (2020: 17). The total staff costs including Directors' emoluments for the six months ended 30 September 2021 amounted to HK\$11.3 million (2020: HK\$11.0 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

In light of the continuous research on the COVID-19 and the development and application of COVID-19 vaccines over the past year, the global economy underwent a slow recovery, but it was the progress of the vaccination programme and the effectiveness of pandemic prevention and control that predominated the pace of recovery in various countries.

With the decrease in the number of infections in communities and the gradual relaxation of social distancing measures put in place, Hong Kong's economy had a slight positive impact on retail tenants. In particular, the business of tenants in the catering industry improved immensely.

In order to contain the pandemic, the government and all walks of life in society have launched initiatives to encourage vaccination in the hope of increasing the vaccination rate of COVID-19 so as to achieve full opening of the border with mainland China.

However, the border of mainland China has not yet been fully reopened, with challenging environment of inbound tourism industry never coming to an end. Retail tenants of the Group's shops in tourist areas who derived the majority of their revenue from mainland Chinese customers will continue to face a fairly harsh business environment. Although the performance of the catering industry has improved, the pace is sluggish. Therefore, it is expected that the Group is set to face a number of challenges when it comes to rental incomes from investment properties for the remainder of the year.

Against the backdrop of today's uncertain economic environment, the management will continue to be financially cautious and prudent to alleviate and mitigate any negative impact, being committed to evaluating any opportunities arising from such tough market environment.

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 2021.

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 2021 and the 2020/2021 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2021, 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 2021.

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

Hong Kong, 24 November 2021

As at the date of this announcement, the Board comprises eight 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, one is Non-Executive Director, namely Ms. Chan Yan Mei, Mary-ellen and three are Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Ms. Cheung Chong Wai, Janet.