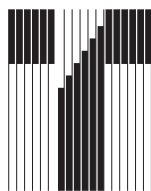


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TERN PROPERTIES COMPANY LIMITED

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 2024

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 2024, 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 2024

		Six months ended 30 September	
		2024	2023
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	26,418	28,687
Property expenses		(2,720)	(2,944)
Gross profit		23,698	25,743
Fair value loss on investment properties		(71,660)	(17,280)
Gain (loss) on derecognition of debt instruments at fair value through other comprehensive income		5	(890)
Unrealised gain (loss) on revaluation of financial assets at fair value through profit or loss		1,899	(151)
Net reversal of impairment loss on debt instruments at fair value through other comprehensive income		155	13,746
Allowance for expected credit losses, net of reversal		(1,037)	(1,297)
Dividend income		2,545	6
Interest income		8,913	9,542
Other income, gains and losses, net		234	(385)
Administrative expenses		(16,640)	(16,959)

		Six months ended	
		30 September	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(Loss) profit from operations	5	(51,888)	12,075
Finance costs	6	(712)	(637)
Share of results of associates	13	(1,460)	1,026
		<u> </u>	<u> </u>
(Loss) profit before taxation		(54,060)	12,464
Taxation	7	(1,698)	(1,958)
		<u> </u>	<u> </u>
(Loss) profit for the period attributable to owners of the Company		<u>(55,758)</u>	<u>10,506</u>
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gain (loss) arising on revaluation of debt instruments at fair value through other comprehensive income		5,918	(46,100)
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at fair value through other comprehensive income		(19)	1,571
Impairment loss on debt instruments at fair value through other comprehensive income		482	1,939
Reversal of impairment loss on debt instruments at fair value through other comprehensive income		(637)	(15,685)
Exchange differences arising on translation of foreign operations		(53)	135
		<u> </u>	<u> </u>
Other comprehensive income (expense) for the period, net of tax		<u>5,691</u>	<u>(58,140)</u>
		<u> </u>	<u> </u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(50,067)</u>	<u>(47,634)</u>
(Loss) earnings per share			
Basic and diluted	9	<u>HK(20.11) cents</u>	<u>HK3.79 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

	Notes	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	10	1,957,705	2,029,390
Property, plant and equipment	11	1,159	1,362
Right-of-use assets	12	15,061	15,403
Interests in associates	13	256,234	258,594
Debt instruments at fair value through other comprehensive income	14	30,553	29,527
Financial assets at fair value through profit or loss	14	700	700
Deferred rental income		467	707
Deferred tax assets		160	150
		<u>2,262,039</u>	<u>2,335,833</u>
Current assets			
Trade and other receivables	15	11,330	9,752
Debt instruments at fair value through other comprehensive income redeemable within one year	14	17,167	34,151
Financial assets at fair value through profit or loss	14	84,265	9,255
Deferred rental income – current portion		1,194	1,107
Tax recoverable		458	505
Pledged bank deposits		–	4,170
Bank balances and cash		252,398	288,425
		<u>366,812</u>	<u>347,365</u>
Current liabilities			
Other payables and receipts in advance		5,688	5,473
Deposits received from tenants		9,385	9,811
Tax payable		2,282	1,389
Lease liabilities	16	563	578
Secured bank borrowings – due within one year	17	2,852	2,806
		<u>20,770</u>	<u>20,057</u>
Net current assets		<u>346,042</u>	<u>327,308</u>
Total assets less current liabilities		<u>2,608,081</u>	<u>2,663,141</u>

		30 September 2024	31 March 2024
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Deposits received from tenants		10,822	10,300
Lease liabilities	<i>16</i>	94	372
Secured bank borrowings – due after one year	<i>17</i>	40,346	41,780
Deferred tax liabilities		35,660	35,582
		<u>86,922</u>	<u>88,034</u>
Net assets		<u>2,521,159</u>	<u>2,575,107</u>
Capital and reserves			
Share capital	<i>18</i>	229,386	229,386
Reserves		<u>2,291,773</u>	<u>2,345,721</u>
Total equity		<u>2,521,159</u>	<u>2,575,107</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	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 2024 (Audited)	229,386	286	(149,602)	3,881	2,491,156	2,575,107
Loss for the period	-	-	-	-	(55,758)	(55,758)
Other comprehensive income (expense):						
Net gain arising on revaluation of debt instruments at FVTOCI	-	-	5,918	-	-	5,918
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	-	-	(19)	-	-	(19)
Impairment loss on debt instruments at FVTOCI included in profit and loss	-	-	482	-	-	482
Reversal of impairment loss on debt instruments at FVTOCI	-	-	(637)	-	-	(637)
Exchange differences arising on translation of foreign operations	-	(53)	-	-	-	(53)
Total comprehensive expense for the period	-	(53)	5,744	-	(55,758)	(50,067)
Dividends declared (note 8)	-	-	-	832	(832)	-
Dividends paid	-	-	-	(3,881)	-	(3,881)
At 30 September 2024 (Unaudited)	229,386	233	(143,858)	832	2,434,566	2,521,159
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 expense for the period	-	135	(58,275)	-	10,506	(47,634)
Dividends declared (note 8)	-	-	-	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

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 2024 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 2024 that is included in the Interim Report 2024 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 2024 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 2024 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 2024.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2024.

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 2024 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 new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the new and 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 gain (loss) on revaluation of financial assets at FVTPL, gain (loss) on derecognition of debt instruments at FVTOCI, interest income from debt instruments and dividend income from equity securities.

Business information

For the six months ended 30 September 2024

	Property investment <i>HK\$’000</i> (Unaudited)	Treasury investment <i>HK\$’000</i> (Unaudited)	Total <i>HK\$’000</i> (Unaudited)
Turnover	26,418	–	26,418
Property expenses	(2,720)	–	(2,720)
Gross profit	23,698	–	23,698
Fair value loss on investment properties	(71,660)	–	(71,660)
Gain on derecognition of debt instruments at FVTOCI	–	5	5
Unrealised gain on revaluation of financial assets at FVTPL	–	1,899	1,899
Net reversal of impairment loss on debt instruments at FVTOCI	–	155	155
Allowance for expected credit loss, net of reversal	(1,037)	–	(1,037)
Dividend income from equity securities	–	2,545	2,545
Interest income	4,270	4,643	8,913
Other income, gains and losses, net	1,258	(1,024)	234
Administrative expenses	(14,662)	(1,978)	(16,640)

	Property investment <i>HK\$' 000</i> (Unaudited)	Treasury investment <i>HK\$' 000</i> (Unaudited)	Total <i>HK\$' 000</i> (Unaudited)
(Loss) profit from operations	(58,133)	6,245	(51,888)
Finance costs	(13)	(699)	(712)
Share of results of associates	(1,460)	–	(1,460)
	<u>(59,606)</u>	<u>5,546</u>	<u>(54,060)</u>
(Loss) profit before taxation			
Taxation	(1,336)	(362)	(1,698)
	<u>(60,942)</u>	<u>5,184</u>	<u>(55,758)</u>

At 30 September 2024

	Property investment <i>HK\$' 000</i> (Unaudited)	Treasury investment <i>HK\$' 000</i> (Unaudited)	Total <i>HK\$' 000</i> (Unaudited)
Segment assets	2,390,848	238,003	2,628,851
Segment liabilities	(63,719)	(43,973)	(107,692)
	<u>2,327,129</u>	<u>194,030</u>	<u>2,521,159</u>
Net assets			
Other segment information:			
Depreciation and amortisation	<u>545</u>	<u>–</u>	<u>545</u>

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)
	<u>25,743</u>	<u>–</u>	<u>25,743</u>
Gross profit			
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)
Net reversal of impairment loss on debt instruments at FVTOCI	–	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)

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (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> </u>	<u> </u>	<u> </u>
(Loss) profit before taxation	(12)	12,476	12,464
Taxation	(1,855)	(103)	(1,958)
	<u> </u>	<u> </u>	<u> </u>
(Loss) profit for the period	<u>(1,867)</u>	<u>12,373</u>	<u>10,506</u>

At 31 March 2024

	Property investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	2,524,372	158,826	2,683,198
Segment liabilities	(63,097)	(44,994)	(108,091)
	<u> </u>	<u> </u>	<u> </u>
Net assets	<u>2,461,275</u>	<u>113,832</u>	<u>2,575,107</u>
Other segment information:			
Depreciation and amortisation	<u>1,161</u>	<u>–</u>	<u>1,161</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\$26.4 million (six months ended 30 September 2023: approximately HK\$28.7 million) are rental income of approximately HK\$1.7 million (six months ended 30 September 2023: approximately HK\$1.9 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 2024 and 2023.

4. TURNOVER

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

5. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) profit from operations has been arrived at after charging:		
Staff costs (including directors' emoluments)	12,238	12,168
Retirement benefits scheme contributions	<u>126</u>	<u>125</u>
Total staff costs	12,364	12,293
Auditor's remuneration	225	232
Depreciation of property, plant and equipment	203	242
Depreciation of right-of-use assets	342	351
Allowance for expected credit losses, net of reversal	1,037	1,297
Net reversal of impairment loss on debt instruments at FVTOCI	(155)	(13,746)
Exchange loss, net	2,050	2,599
(Gain) loss on derecognition of debt instruments at FVTOCI	(5)	890
Unrealised (gain) loss on revaluation of financial assets at FVTPL	(1,899)	151
Write-off of trade and other receivables	-	372
and after crediting:		
Dividend income from equity securities	2,545	6
Gross rental income from investment properties	26,418	28,687
Less:		
Direct operating expenses from investment properties that generated rental income	(1,302)	(2,123)
Direct operating expenses from investment properties that did not generate rental income	<u>(1,418)</u>	<u>(821)</u>
Net rental income	<u><u>23,698</u></u>	<u><u>25,743</u></u>

6. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	699	634
Interest expense on lease liabilities	<u>13</u>	<u>3</u>
	<u><u>712</u></u>	<u><u>637</u></u>

7. TAXATION

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	1,630	1,616
Over provision in prior years	–	(83)
	1,630	1,533
Deferred taxation		
Current period	68	425
	1,698	1,958

Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the period.

8. INTERIM DIVIDENDS

For the financial year ended 31 March 2024, final dividend of HK1.4 cents (2023: HK1.2 cents) per share was paid to the shareholders of the Company on 13 September 2024.

For the six months ended 30 September 2024, the Board of Directors has declared an interim dividend of HK0.3 cent (six months ended 30 September 2023: an interim dividend of HK0.3 cent) per share amounting to approximately HK\$832,000 (six months ended 30 September 2023: approximately HK\$832,000) payable to the shareholders of the Company.

9. (LOSS) EARNINGS PER SHARE

The calculation of loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$55,758,000 (six months ended 30 September 2023: profit for the period attributable to owners of the Company of approximately HK\$10,506,000) 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	31 March
	2024	2024
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
FAIR VALUE		
At beginning of the period/year	2,029,390	2,083,782
Fair value loss recognised in profit or loss	(71,660)	(54,437)
Exchange adjustments	(25)	45
	1,957,705	2,029,390

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 2024 by the Group's independent qualified professional valuer using the same valuation techniques as were used by this valuer when carrying out 31 March 2024 valuations.

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Carrying amounts at beginning of the period/year	1,362	819
Additions for the period/year	–	1,008
Depreciation for the period/year	<u>(203)</u>	<u>(465)</u>
Carrying amounts at end of the period/year	<u>1,159</u>	<u>1,362</u>

12. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Leased property HK\$'000	Total HK\$'000
As at 31 March 2024			
Carrying amounts	14,459	944	15,403
As at 30 September 2024			
Carrying amounts	14,412	649	15,061
Six months ended 30 September 2024			
Depreciation charge	<u>47</u>	<u>295</u>	<u>342</u>
Total cash outflow for leases			<u>306</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 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Share of net assets	259,984	261,444
Amounts due to associates	<u>(3,750)</u>	<u>(2,850)</u>
	<u>256,234</u>	<u>258,594</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 2024

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Current assets	21,314	18,093
Non-current assets	529,619	534,097
Current liabilities	(13,339)	(11,729)
Non-current liabilities	(17,626)	(17,573)
	<hr/>	<hr/>
Net assets	519,968	522,888
	<hr/> <hr/>	<hr/> <hr/>
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of the associates	259,984	261,444
	<hr/> <hr/>	<hr/> <hr/>

Profit or loss and other comprehensive income for the six months ended 30 September 2024

	Six months ended 30 September 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Turnover	9,873	9,166
	<hr/>	<hr/>
(Loss) profit for the period	(2,919)	2,051
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive (expense) income for the period	(2,919)	2,051
	<hr/> <hr/>	<hr/> <hr/>
Share of results of associates comprises:		
Share of (loss) profit of associates	(886)	1,410
Share of taxation of associates	(574)	(384)
	<hr/>	<hr/>
	(1,460)	1,026
	<hr/> <hr/>	<hr/> <hr/>

14. FINANCIAL ASSETS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Non-current:		
Debt instruments at FVTOCI		
– Unlisted debt securities (<i>note (iii)</i>)	–	21,599
– Listed debt securities (<i>note (i)</i>)	<u>30,553</u>	<u>7,928</u>
	30,553	29,527
Financial assets at FVTPL		
– Unlisted club debenture	<u>700</u>	<u>700</u>
	31,253	30,227
Current:		
Debt instruments at FVTOCI		
– Listed debt securities (<i>note (i)</i>)	17,167	34,151
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	82,776	7,665
– Listed equity securities in overseas	<u>1,489</u>	<u>1,590</u>
	84,265	9,255
	101,432	43,406

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 mainly engaged in, among others, banking, hospitality and real estate businesses. Such debt instruments' maturity dates vary from 2024 to 2025 and include those that are perpetual.

As of 30 September 2024, such financial assets at FVTOCI constitute approximately 1.82% (31 March 2024: 2.37%) 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\$155,000 for the current period (30 September 2023: HK\$13,746,000).

- (ii) At 30 September 2024 and 31 March 2024, 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 31 March 2024, 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\$3,043,000 (31 March 2024: approximately HK\$2,150,000) 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 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 30 days	427	–
31 – 60 days	120	1,381
61 – 90 days	506	–
Over 90 days	1,990	769
	<u>3,043</u>	<u>2,150</u>

Included in the other receivables, there are amounts due from associates of approximately HK\$970,000 as at 30 September 2024 (31 March 2024: approximately nil).

16. LEASE LIABILITIES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within one year	563	578
Within a period of more than one year but not exceeding two years	94	372
	<u>657</u>	<u>950</u>
Less: Amount due for settlement within one year shown under current liabilities	<u>(563)</u>	<u>(578)</u>
Amount due for settlement after one year shown under non-current liabilities	<u>94</u>	<u>372</u>

17. SECURED BANK BORROWINGS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	2,852	2,806
More than one year but not exceeding two years	2,946	2,898
More than two years but not exceeding five years	9,425	9,273
More than five years	27,975	29,609
	<u>43,198</u>	44,586
Less: Amounts due within one year shown under current liabilities	<u>(2,852)</u>	(2,806)
Amounts due after one year shown under non-current liabilities	<u><u>40,346</u></u>	<u>41,780</u>

All of the bank borrowings were denominated in Hong Kong dollars with interest rates at 3.23% per annum.

18. SHARE CAPITAL

	30 September 2024		31 March 2024	
	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 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 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Management fee income received from associates	<u>1,840</u>	<u>1,668</u>

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	7,336	7,585
Contributions to retirement benefit scheme	27	27
	<u>7,363</u>	<u>7,612</u>

20. PLEDGE OF ASSETS

At 30 September 2024, the Group's banking facilities amounted to approximately HK\$43,698,000 (31 March 2024: approximately HK\$45,086,000). The Group has utilised loan facilities from banks with an amount of approximately HK\$43,198,000 (31 March 2024: approximately HK\$44,586,000).

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

- i) Investment properties with carrying amounts of approximately HK\$267,400,000 (31 March 2024: approximately HK\$281,000,000);
- ii) Debt instruments at FVTOCI and financial assets at FVTPL with carrying amounts of nil (31 March 2024: approximately HK\$26,139,000); and
- iii) Bank deposits with carrying amounts of nil (31 March 2024: approximately HK\$4,170,000).

21. CONTINGENT LIABILITIES

As at 30 September 2024 and 31 March 2024, the Group did not have any material contingent liabilities.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At 30 September 2024, the investment properties of the Group are expected to generate average rental yields of approximately 2.70% (31 March 2024: 2.76%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (31 March 2024: four years).

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

	30 September 2024	31 March 2024
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	40,358	40,477
In the second year	19,470	18,842
In the third year	4,006	2,596
In the fourth year	31	689
	<u>63,865</u>	<u>62,604</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	31 March	Fair value	Valuation
	30 September	2024	hierarchy	techniques and
	2024	2024		key inputs
	HK\$'000	HK\$'000		
	(Unaudited)	(Audited)		
Financial assets at FVTOCI				
– Listed debt instruments	38,415	33,987	Level 1	Quoted prices in active markets
– Listed debt instruments	9,305	8,092	Level 2	Quoted prices provided by financial institution
– Unlisted debt instruments	–	21,599	Level 2	Quoted prices provided by financial institution
Financial assets at FVTPL				
– Listed equity securities	84,265	9,255	Level 1	Quoted prices in active markets
– Unlisted club debenture	700	700	Level 2	Market approach

During the six months ended 30 September 2024, there were no transfers between instruments in Level 1, Level 2 and Level 3 (31 March 2024: 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 2024. The interim dividend will be paid on or about Friday, 27 December 2024 to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 17 December 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 December 2024 to Tuesday, 17 December 2024, 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, 12 December 2024.

FINANCIAL REVIEW

Financial Results

Revenue

The revenue of the Group for the period decreased by 7.9% to HK\$26.4 million as compared with prior period (2023: HK\$28.7 million). The decrease in revenue was primarily due to declining in rental income upon renewal of the Group's properties during the period.

Treasury investment income

The Group's treasury investment income mainly consist of debt securities interest income of HK\$2.1 million (2023: HK\$4.8 million), dividend income of HK\$2.5 million (2023: HK\$0.1 million) and bank interest income of HK\$6.8 million (2023: HK\$4.7 million). An increase in total investment income by HK\$1.9 million was mainly due to increase in dividend income on listed equity securities and higher bank time deposit rate during the period.

A fair value gain of HK\$1.9 million (2023: a loss of HK\$0.2 million) on listed equity securities on hand was recorded during the period.

There was a net reversal of impairment loss on debt instruments at fair value through other comprehensive income of HK\$0.2 million (2023: HK\$13.7 million) was recorded during the period. The fair value loss are mainly derived from debt securities being bought in previous periods.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the period was HK\$55.8 million (2023: profit of HK\$10.5 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:

- A significant decrease in fair value of investment properties upon revaluation at period end. Decrease in fair value of investment properties of HK\$71.7 million (2023: HK\$17.3 million) was reported during the period.
- A decrease in rental income of the Group to HK\$26.4 million during the period (2023: HK\$28.7 million) as compared with last comparable period.
- A significant decrease in the net reversal of impairment loss on debt instruments at fair value through other comprehensive income from HK\$13.7 million in last period to HK\$0.2 million in current period.

Loss per share

Loss per share amounted to HK20.11 cents (2023: a profit per share HK3.79 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 2024, the Group's net bank balances and cash amounted to HK\$209.2 million (31 March 2024: HK\$248.0 million), represented pledged bank deposits and bank balances and cash of HK\$252.4 million (31 March 2024: HK\$292.6 million) less bank borrowings of HK\$43.2 million (31 March 2024: HK\$44.6 million).

At 30 September 2024, the Group's total banking facilities amounting to HK\$43.7 million (31 March 2024: HK\$45.1 million) were fully secured by its investment properties, pledged bank deposits and investment in debt securities and financial assets at fair value through profit or loss with an aggregate carrying value amounting to HK\$267.4 million (31 March 2024: HK\$311.3 million).

	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
Bank loans are repayable as follows:		
On demand or within one year	2,852	2,806
More than one year but not exceeding two years	2,946	2,898
More than two years but not exceeding five years	9,425	9,273
More than five years	27,975	29,609
	43,198	44,586

At 30 September 2024, the current ratio (current assets/current liabilities) of the Group was 17.7 times (31 March 2024: 17.3 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 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 17.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 21 to the condensed consolidated financial statements on page 17.

Shareholders' Funds

At 30 September 2024, the Group's shareholders' funds remain stable at HK\$2,521.2 million (31 March 2024: HK\$2,575.1 million).

The net asset value per share was HK\$9.1 as at 30 September 2024 (31 March 2024: HK\$9.3).

The decrease in the shareholders' fund as at period end as compared with the previous year was primarily attributable to a significant increase in fair value loss on investment properties of HK\$71.7 million during the period (2023: HK\$17.3 million).

At 30 September 2024, 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 75%, a slight decrease of 10% as compared with last comparable period of 85.0%.
- The fair value loss in the investment properties mainly associated with Group's investment properties located in Tsim Sha Tsui and Sheung Wan.
- The Group's share of gross rental income from associates was HK\$4.9 million, an increase of HK\$0.3 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 2024, the portfolio of securities investments and treasury products of HK\$132.0 million comprise debt securities of HK\$47.7 million and listed equity securities of HK\$84.3 million.

The group held debt securities investments of HK\$47.7 million, a 25.1% decrease as compared with that as at 31 March 2024.

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

Employees

At 30 September 2024, the total number of staff of the Group was 17 (2023: 18). The total staff costs including Directors' emoluments for the six months ended 30 September 2024 amounted to HK\$12.4 million (2023: HK\$12.2 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

BUSINESS OUTLOOK

Throughout 2024, Hong Kong economy, alongside with most parts of the world, is still under great challenges. The economy in Hong Kong was weaker than expected due to factors such as persistently high interest rates, geopolitical tensions, two ongoing hot wars, and the intensifying trend of Hong Kong residents travelling northward for consumption.

Meanwhile, the Hong Kong's office and retail rental market continues to be plagued by weak demand and over-supply. The market vacancy rates rose across during 2024. As such, it is expected that the overall rental level and occupancy rate of the Group will continue to be under great pressure. Thankfully, the Group has been able to maintain a relatively good occupancy rate, while only experiencing a minor decrease in corresponding income during the period with its conveniently located offices and properties at affordable price points.

Under current unstable economic environment, prudent financial, liquidity and cash flow management continue to be the Group's key priority, while maintaining an agile financial strategy to ensure that the Group continues to generate returns to shareholder while maintaining a strong underlying financial position. In overall, we are cautiously optimistic about the Group's short- and medium-term prospects.

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 2024.

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 2024 and the 2024/2025 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2024, the Company has complied with all the applicable code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix C1 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 was 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.

On 22 August 2024, Mr. Chan Hoi Sow resigned as the Chairman of the Board and Managing Director of the Company and Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan were appointed as the joint Chairmen of the Board and Co-Managing Directors of the Company. Although the positions of chairman and managing director are not separate, the powers and authorities have not been concentrated as the responsibilities have been shared by two individuals, namely, the two joint Chairmen and Co-Managing Directors. Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees. In addition, there are three Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

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 C3 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 2024.

By order of the Board
Tern Properties Company Limited
CHAN Yan Wai, Emily
CHAN Yan Lam, Alan
Joint Chairmen

Hong Kong, 20 November 2024

As at the date of this announcement, the Board comprises six Directors, of which three are Executive Directors, namely Ms. CHAN Yan Wai, Emily, Mr. CHAN Yan Tin, Andrew 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.