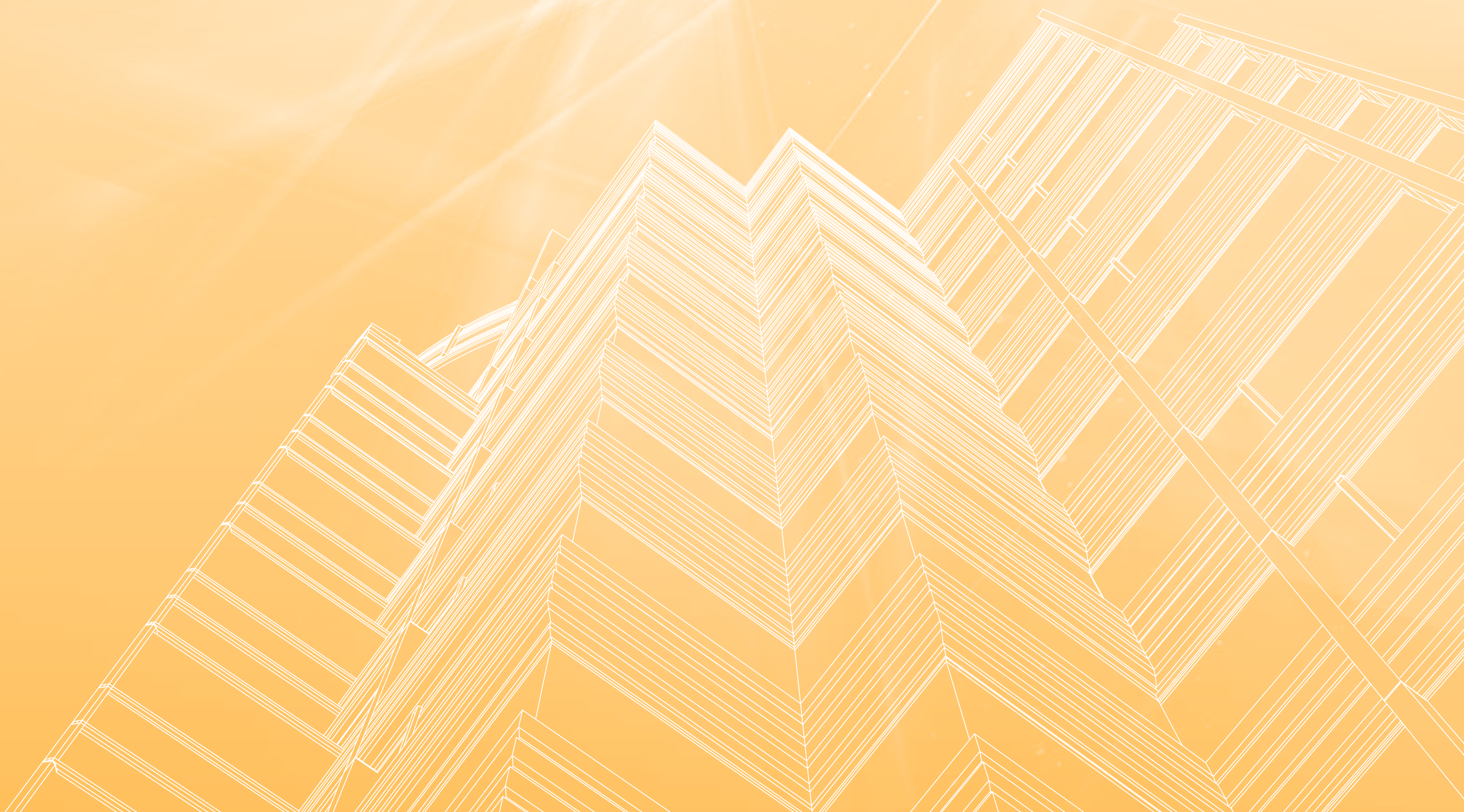
Tern Properties
Company Limited

Stock Code : 277

Annual Report 2019

Contents



Corporate Information

Board of Directors

Executive Directors

Chan Hoi Sow
(Chairman and Managing Director)
Chan Yan Tin, Andrew
Chan Yan Wai, Emily

Non-Executive Director

Chan Yan Mei, Mary-ellen

Independent Non-Executive Directors

Chan Kwok Wai
Cheung Chong Wai, Janet
Tse Lai Han, Henry

Audit Committee

Chan Kwok Wai
(Chairman)
Cheung Chong Wai, Janet
Tse Lai Han, Henry

Remuneration Committee

Chan Kwok Wai
(Chairman)
Chan Yan Tin, Andrew
Tse Lai Han, Henry

Nomination Committee

Chan Kwok Wai
(Chairman)
Chan Yan Wai, Emily
Tse Lai Han, Henry

Principal Bankers

Credit Suisse Group AG
Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Ltd.

Registered Office

26th Floor, Tern Centre, Tower I
237 Queen's Road Central
Hong Kong

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wan Chai, Hong Kong

Company Secretary

Lee Ka Man

Auditor

HLM CPA Limited
Rooms 1501-8, 15/F, Tai Yau Building,
181 Johnston Road,
Wanchai, Hong Kong

Solicitors

Woo, Kwan, Lee & Lo

Website

www.tern.hk

Stock Code

277

Chairman's Statement

I am pleased to present to shareholders of Tern Properties Company Limited (the "Company") the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019.

Financial Results

The revenue of the Group for 2019 was HK$80.3 million, a slight decrease of 1.2% from last year. The reduction was primarily attributable to lower rents from renewals in commercial shop properties.

In view of the lingering and developing macroeconomics uncertainty resulting from (among others) the trade war between China and the United States, Brexit negotiations and interest rate hikes, the Group disposed of certain of its investments in debt and equity securities to reduce its exposure to financial risk and to retain cash even at a loss during the year.

The drop in property prices since the last quarter in December 2018 leads to a decrease in fair values of properties upon revaluation at year end which directly impact the profit. As a result, the profit attributable to the owners of the Company for the year significantly declined to HK$25.5 million as compared with last year. Earnings per share amounted to HK8.3 cents.

Dividend

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.2 cents per share for the year ended 31 March 2019. Together with the interim dividend of HK2.2 cents per share that have already been paid, the total dividends for the year will amount to HK5.4 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 16 August 2019, will be payable on Thursday, 29 August 2019 to the shareholders on the Register of Members of the Company on Friday, 23 August 2019.

Closure of Register Members

To ascertain the entitlement of the shareholders to attend and vote at the 2019 Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 13 August 2019 to Friday, 16 August 2019, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to be eligible to attend and vote at the 2019 Annual General Meeting, all duly completed transfer forms 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 12 August 2019.

Subject to the approval of the shareholders at the 2019 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Members of the Company on 23 August 2019. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Thursday, 22 August 2019 to Friday, 23 August 2019, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all duly completed transfer forms 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 August 2019.

Chairman's Statement

Business Outlook

The geopolitical and economic uncertainty stemming from the US trade policy persists and the US-China trade war continues to create tensions in the market. Although there have been multiple rounds of negotiation on the bilateral trade arrangement between China and the United States and the hopes for an imminent settlement are increasing, the trade war has already slowed down global economic growth.

Financial markets continue to be volatile, especially amongst the environment of trade disputes between various territories other than China with the United States and the political tension brought on by the United States administration. In addition, Brexit has yet to be resolved and its future trajectory is unclear. With various sources of uncertainty seemingly proliferating by the day coming from different regions, economic slowdown of Hong Kong should come as no surprise.

The ongoing slowdown of China's economy exerts pressure on the Hong Kong retail industry which is overly dependent on China visitors. However, the completion of more infrastructure projects in particular the High Speed Rail Link and the Hong Kong Zhuhai – Macau Bridge, brings continuous gradual increment of visitors and inject new impetus to Hong Kong economy. We remain optimistic on the long-term prospects of Hong Kong's economy growth.

The Group recurrent business, property leasing, continue to contribute a stable stream of income. With a good financial position and adequate liquidity, the Group is well-positioned to respond to any sudden changes in the economic environment.

Management remains solid bracing looming challenges ahead, while staying alert to capture any development and investment opportunity that may arise.

Staff and Management

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to my fellow directors for their contributions and appreciation to all staff for their commitment, dedication and continued support.

Chan Hoi Sow
Chairman and Managing Director

Hong Kong, 26 June 2019

Management Discussion and Analysis

Introduction

The core business of the Company and its associates consist of property investment and treasury investment. Details of properties held by the Group is shown on pages 127 to 128 to the consolidated financial statements.

Financial Highlights

In millions of Hong Kong dollars except per share amounts

		2019	2018
For the year	Revenue	**80.3**	81.3
	Profit for the year attributable to owners of the Company	**25.5**	110.3
As at 31 March	Capital & reserves attributable to owners of the Company	**3,739.9**	3,735.9
	Shares in issue (thousands)	**307,759**	307,759
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	**1.1%**	2.6%
Per Share	Net worth per share (HK$)	**12.2**	12.1
	Basic earnings per share (HK cents)	**8.3**	35.8
	Final dividend declared per share (HK cents)	**3.2**	3.2

Financial Review

Financial Results

Revenue

The revenue derived from the Group's investment in properties for the year was HK$80.3 million (2018: HK$81.3 million), a decrease of HK$1.0 million. This was primarily due to most of the Group's commercial shop properties recorded a decrease in rental rates upon renewal. The Group's rental portfolio occupancy rate remain stable at around 97.5% for both years.

Treasury investments income

The Group's treasury investment income mainly represented interest income of HK$40.5 million (2018: HK$45.6 million) from investments in debt securities and bank deposits, a decrease of HK$5.1 million. This was primarily due to the decrease in the carrying value of investment portfolio during the year.

A realised loss of HK$29.6 million was recognised when the Group disposed certain of its investments in debt instruments during the year.

Financial Review (Cont'd)

Financial Results (Cont'd)

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company for the year was HK$25.5 million (2018: profit of HK$110.3 million).

The significant decrease in profit for the year as compared to last year was primarily due to:

– a realised loss of approximately HK$29.6 million arose from the disposal of certain of the Group's investments in debt instruments which acquired at total cost of HK$409.0 million and disposed at market value of HK$380.9 million;

– such debt instruments being disposed during the year mainly include corporate bonds issued by companies engaged in banking and real estate business, which are acquired during the period from 2015 to 2018; and

– a decrease in fair value of investment properties of HK$15.9 million upon revaluation at year end.

Earnings per share

Earnings per share for the year ended 31 March 2019 were HK8.3 cents (2018: earning per share HK35.8 cents), a decrease of HK27.5 cents from last year. The proposed final dividend of HK3.2 cents (2018: HK3.2 cents) per share will make a total distribution of interim and final dividend of HK5.4 cents (2018: HK5.4 cents) per share for the full year.

Liquidity, Bank Borrowings and Finance Costs

At 31 March 2019, the Group's net current assets including bank deposits, balances and cash of HK$277.8 million (2018: HK$64.6 million) amounted to HK$265.5 million (2018: net current assets of HK$85.1 million), an increase of HK$180.4 million from last year mainly contributed by proceeds from disposal of investment in debt securities during the year.

At 31 March 2019, the Group's banking facilities amounting to HK$1,128.3 million (2018: HK$1,000.0 million) were fully secured by its investment properties, pledged bank deposits and investment in debt securities with an aggregate fair value amounting to HK$1,641.3 million (2018: HK$1,821.3 million). At 31 March 2019, HK$268.3 million was utilised (2018: HK$350.0 million).

At 31 March 2019, although the Group have bank borrowings of HK$268.3 million (2018: HK$350.0 million), the Group have a net cash balance on hand. At 31 March 2018, the total amount of outstanding bank borrowings net of bank balances and cash and pledged bank deposits were HK$285.4 million and the gearing ratio (which is the ratio of net bank borrowings to total equity) was 7.6%.

Of the total bank borrowings at 31 March 2019, HK$11.8 million or 4.4% were repayable within one year. HK$12.1 million or 4.5% were repayable after one year but within two years. HK$38.2 million or 14.2% were repayable after two years but within five years. HK$206.2 million or 76.9% were repayable after five years.

The Group's finance costs for the year ended 31 March 2019 were comparable with last year at HK$6.7 million (2018: HK$6.5 million).

Financial Review (Cont'd)

Shareholders' Funds

At 31 March 2019, the Group's shareholders' funds amounted to HK$3,739.9 million (2018: HK$3,735.9 million), approximate the same as last year. The net asset value per share was HK$12.2 (2018: HK$12.1). The shareholder's funds was remained at the same level as last year.

Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 6 to the consolidated financial statements.

Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its 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.

Contingent Liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities.

Pledge of Assets

Details regarding pledge of assets are set out in note 28 to the consolidated financial statements.

Operational Review

Properties

- The Group's rental income mainly derived from its Hong Kong property portfolio.

- The Group's rental income was comparable to 2018.

- At 31 March 2019, the Group's held investment properties amounting to HK$2,952.3 million, a decrease of HK$16.1 million from last year. The decrease was due to the decrease in fair value of the Group's investment portfolio upon revaluation at year end.

- No acquisitions or disposals of properties during the year.

Operational Review (Cont'd)

Treasury Investments

- The Group's strategy is to maintain debt securities investment portfolio to derive interest income for treasury investment.

- The Group's primary objectives when managing capital are to safeguard the abilities for the entities in the Group to continue as a going concern so that it can continue to provide returns for shareholders of the Company. The Group's strategy for investments is to invest in a diversified portfolio to minimize risks with attractive yield and good issuers from reputable entities to maintain a healthy financial status and grasp every good investment chance. No investments are made for speculative purposes.

- In view of the lingering macroeconomics uncertainty as mentioned in the Business Outlook section of this annual report, the Group disposed of certain of its investments in debt and equity securities to reduce its exposure to financial risks even at a loss. As a result, a realised loss of approximately HK$29.6 million and approximately HK$1.3 million arose from the disposal of certain of the Group's debt and equity securities respectively.

- At 31 March 2019, the carrying value of investment portfolio was HK$450.7 million (2018: HK$707.2 million). Interest income decreased by 11.3 % in 2019 reflecting a lower average carrying value of investment portfolio during the year.

Employees

At 31 March 2019, the total number of staff of the Group was 18 (2018: 19). The total staff costs including Directors' emoluments amounted to HK$24.8 million (2018: HK$23.8 million).

The Group reviews staff remuneration packages annually, which is based on individual performance and merit. The benefits including contributions to employee provident funds, medical subsidies and a discretionary bonus. The Group recognises the importance of continuing professional education and development, and subsidies are granted to employees who take job-related courses.

Our Risk Profile

Our approach for managing risk is underpinned by our understanding of our current risks exposures, and how our risks are changing over time. The following illustrates the nature of our major risks. Further analysis of our strategies is set out in other sections of the Annual Report as indicated below:

Business Risk

We ensure our properties remain competitive and up to the highest standards by closely monitoring market trends and the business environment. Regular maintenance and renovation help us uphold the safety and quality of our properties. To protect the Group's assets, we employed professionals who oversee the design, progress and capital expenditures of major maintenance and renovation projects.

Operational Review (Cont'd)

Operational Risk

Operational risk is concerned with possible losses caused by inadequate or failed internal processes, people, systems or external events. Operational risk is mitigated and controlled through establishing robust internal controls, setting our clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis. Independent monitoring and reviews are conducted by the internal audit team which reports regularly to the respective senior management and the Audit Committee.

Financial Risk

Financial risk included market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit. Further discussion on financial risk management is outlined in note 31(b) to the consolidated financial statements.

Environmental Policies

The Group is committed to building an eco-friendly corporation. It is the Group's aim to reduce the impacts of its operations on the environment. The environmental policies of the Group include minimizing consumption of paper and electricity, reducing waste and promoting the use of electronic communication and storage.

Relationship with Key Stakeholders

The Group fully understands that staff, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our staffs, enhancing cooperation with our suppliers and our customers so as to ensure the Group's sustainable development.

Profile of Directors and Senior Management

Chan Hoi Sow

Mr. Chan, aged 85, is the founder of the Group. He has been the Chairman and Managing Director of the Group since 1987. He is also a director of various members of the Group. Mr. Chan has closed to 40 years of experience in property investment and development in Hong Kong, the Mainland China and overseas and in financial investment. He is the father of Mr. Chan Yan Tin, Andrew, an Executive Director of the Company, Ms. Chan Yan Wai, Emily, an Executive Director of the Company and Ms. Chan Yan Mei, Mary-ellen, a Non-Executive Director of the Company.

Chan Yan Tin, Andrew

Mr. Chan, aged 55, has been an Executive Director of the Company since January 2004. He was an Executive Director from October 1987 to April 2001 and a Non-Executive Director from April 2001 to January 2004. He is also a member of the Remuneration Committee and a director of various members of the Group. He graduated from Simon Fraser University in Canada and has extensive experience in construction, property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as brother of Ms. Chan Yan Wai, Emily and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Director and Non-Executive Director of the Company respectively.

Chan Yan Wai, Emily

Ms. Chan, aged 54, has been appointed as an Executive Director of the Company on 15 June 2017. She is also a member of the Nomination Committee and a director of various members of the Group. She holds a Bachelor of Arts degree from the University of British Columbia. She has been serving in the Group since 2002 and is currently a General Manager of operations and corporate functions. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Director and Non-Executive Director of the Company respectively.

Chan Yan Mei, Mary-Ellen

Ms. Chan, aged 51, has been a Non-Executive Director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has solid experience in supervisory role as well as financial and business management. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Wai, Emily who are both the Executive Directors of the Company.

Profile of Directors and Senior Management

Chan Kwok Wai

Mr. Chan, aged 60, has been an Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee, the Chairman of the Remuneration Committee and the Chairman of the Nomination Committee. Mr. Chan holds a Bachelor Degree of Business Administration from the Monash University, Australia. He is a member of the CPA Australia and a member of the Hong Kong Securities and Investment Institute. He has extensive experience in finance and accounting industry.

Mr. Chan is currently a director of High Progress Consultants Limited. He is also an Independent Non-Executive Director of Chinese Estates Holdings Limited, China Investments Holdings Limited, Far East Consortium International Limited and National Electronics Holdings Limited respectively, all of which are listed public companies in Hong Kong.

Tse Lai Han, Henry

Mr. Tse, aged 54, has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and Overseas.

Cheung Chong Wai, Janet

Ms. Cheung, aged 52, has been an Independent Non-Executive Director of the Company since March 2018. She is also a member of the Audit Committee. Ms. Cheung holds a Bachelor of Commerce – Accounting & Management Information Systems degree from the University of British Columbia in Canada and a Master of Business Administration degree from the University of Michigan in U.S.A. She has been working as an airline executive with over 25 years' experience in leading complex procurement and financing projects.

Corporate Governance Report

Corporate Governance Practices

The Board of Directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2019, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision A.2.1 of the Code.

The Board will continuously review and improve the corporate governance policies and practices of the Company and monitor the compliance with the Code to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Board of Directors

The Board comprises seven members, three of which are Executive Directors, namely Mr. Chan Hoi Sow as the Chairman of the Board, Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Wai, Emily. One member is Non-Executive Director, namely Ms. Chan Yan Mei, Mary-ellen. Three members are Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Ms. Cheung Chong Wai, Janet.

The Board held four meetings during the year ended 31 March 2019. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

The Board is responsible to review and monitor the Group's policies and practices on compliance with the legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice at the expense of the Company.

Mr. Chan Hoi Sow, the Chairman of the Board is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company, Ms. Chan Yan Wai, Emily, an Executive Director of the Company and Ms. Chan Yan Mei, Mary-ellen, a Non-Executive Director of the Company. Save as disclosed above, during the year, none of the other directors has or maintained any financial, business, family or other material relevant relationship with any of the other directors.

Chairman and Chief Executive

Provision A.2.1 of the Code stipulates that the roles of the chairman and the chief executive 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 members of the Board comprises 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.

Non-Executive Directors

The Company has received annual written confirmation from each of the Independent Non-Executive Directors as regards to their independence to the Company as required under the Listing Rules. The Company considers that each of the Independent Non-Executive Directors is independent to the Company.

Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. All of the Non-executive Director and Independent Non-Executive Directors have been appointed for a period of three years. However, one-third of all the Directors are subject to retirement from office by rotation at the annual general meeting in accordance with Article 103 of the New Articles of Association of the Company.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Board recognises the benefits of a diverse Board with members processing a balance of skills, experience and expertise which complement to the business success of the Group, and seeks to increase diversity at Board level to enhance the effectiveness of the Board and to achieve a sustainable and balanced development.

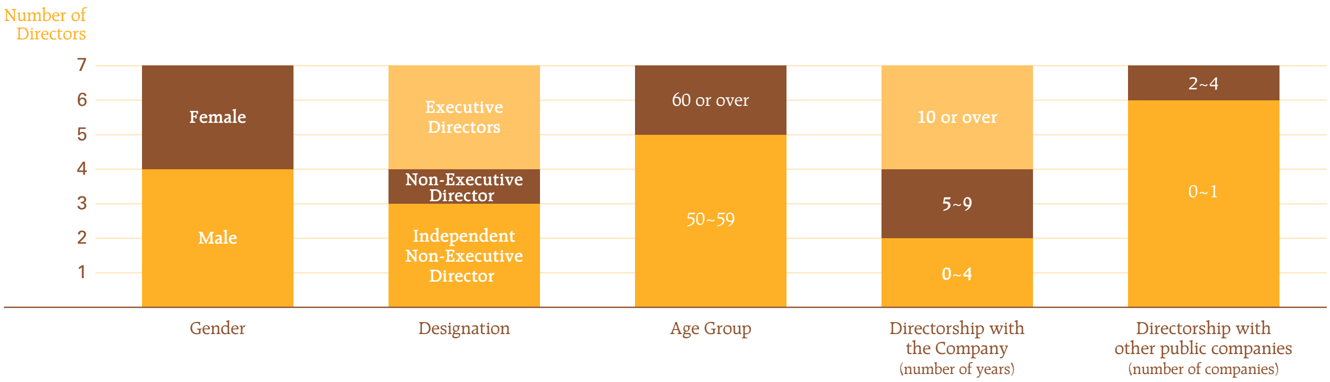
Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, having regard to the benefits of diversity of the Board.

The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the policy from time to time to ensure its continued effectiveness.

Board Diversity Policy (Cont'd)

An analysis of the board diversity based on a range of diversity perspectives is set out below:



Continuous Professional Development

All Directors have been provided with "A Guide on Directors' Duties" issued by the Companies Registry, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Directors have also been provided with updates on the latest development and amendments in the Listing Rules and the relevant regulatory and statutory requirements.

The Company makes available continuous professional development for all Directors at the expense of the Company to refresh and develop their knowledge and skills. The Directors have participated in the training on corporate governance, current economic and legal developments as follows:

Directors	Reading Regulatory Updates/Other Materials	Attending Seminars/ Conferences/Briefings
Executive Directors		
Chan Hoi Sow *Chairman and Managing Director*	√	–
Chan Yan Tin, Andrew	√	–
Chan Yan Wai, Emily	√	–
Non-Executive Director		
Chan Yan Mei, Mary-ellen	√	–
Independent Non-Executive Directors		
Chan Kwok Wai	√	√
Cheung Chong Wai, Janet	√	–
Tse Lai Han, Henry	√	–

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Board Committees

The Company currently has three board committees (mainly Audit Committee, Remuneration Committee and Nomination Committee) with specific terms of references to oversee particular aspects of the Company's affairs. The Company retains in the Board the function of overseeing corporate governance issues. The Board is responsible for performing the corporate governance duties as set out in the Code.

During the year and up to the date of this report, the corporate governance duties performed by the Board were mainly set out below:

(a) reviewed the Company's policies and practices on corporate governance;

(b) reviewed the continuous professional development and training of the directors;

(c) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

(d) reviewed compliance with the Code and disclosure in the Corporate Governance Report.

Audit Committee

The Audit Committee has been established since March 2005. It comprises three Independent Non-Executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Miss Cheung Chong Wai, Janet. Mr. Chan Kwok Wai has extensive experience in finance and accounting industry with appropriate professional accounting qualification. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Audit Committee has adopted specific written terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Audit Committee are:

(a) to make recommendations to the board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and to discuss with the external auditor the nature and scope of the audit and reporting obligations;

Audit Committee (Cont'd)

(c) to monitor the integrity of the Company's financial statements, annual report and accounts, and interim report, and to review significant financial reporting judgments contained in them. In reviewing these reports, the Committee will focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(d) to review the Company's financial controls, internal controls and risk management systems;

(e) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss;

(f) to review the external auditor's management letter and management's response;

(g) to develop and implement policy on engaging an external auditor to supply non-audit services;

(h) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2019. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2019 and for the six months ended 30 September 2018 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures and risk management policy. The Audit Committee also approved the remuneration of the Company's auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2019 with the Directors.

Remuneration Committee

The Remuneration Committee has been established since March 2005. It comprises two Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Mr. Chan Yan Tin Andrew. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Remuneration Committee has adopted specific written terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Remuneration Committee are:

(a) to make recommendations to the board on the Company's remuneration policy and structure for all directors and senior management;

(b) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;

(c) to make recommendations to the board on the remuneration of non-executive directors;

(d) to ensure that no director is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2019. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2019, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management, recommended specific remuneration packages for all the Directors and senior management to the Board, recommended the remuneration of non-executive directors.

Nomination Committee

The Nomination Committee has been established since 1 April 2012. It comprises two Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Ms. Chan Yan Wai, Emily and Mr. Tse Lai Han, Henry. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Nomination Committee has adopted specific written terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Nomination Committee are:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become board members and make recommendations to the board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors;

(d) to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2019. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2019, the Nomination Committee reviewed the structure, size and composition of the board, made recommendations to the board on the selection of individuals nominated for directorships, and assessed the independence of independent non-executive directors.

Nomination Policy

The Nomination Policy of the Company was adopted by the Board in 2018, the Nomination Policy is set out as follows:

1.0 Objective

1.1 The Nomination Committee ("NC") shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors ("Directors") of the Company at general meetings or appoint as Directors to fill casual vacancies.

1.2 The NC may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2.0 Selection Criteria

2.1 The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate.

- Reputation for integrity
- Accomplishment and experience in the real estate industry
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

These factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

2.2 Retiring Independent Non-Executive Directors ("INEDs"), who have served as INEDs for a period of 9 years, are eligible for nomination by the Board to stand for re-election at a general meeting. His/Her further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes her/she is still independent and should be re-elected.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

2.4 The NC may request candidates to provide additional information and documents, if considered necessary.

Nomination Policy (Cont'd)

3.0 Nomination Procedures

3.1 The Secretary of the NC shall call a meeting of the NC, and invite nominations of candidates from Board members if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.

3.2 For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

3.5 A shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the NC's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Attendance of Directors at Board and Committee Meetings and Annual General Meeting

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2019 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Chan Hoi Sow *(Chairman and Managing Director)*	4/4	2/2	–	–	1/1
Chan Yan Tin, Andrew	4/4	2/2	1/1	–	1/1
Chan Yan Wai, Emily	4/4	2/2	–	1/1	1/1
Non-Executive Director					
Chan Yan Mei, Mary-ellen	4/4	2/2	–	–	1/1
Independent Non-Executive Directors					
Chan Kwok Wai	4/4	2/2	1/1	1/1	1/1
Tse Lai Han, Henry	4/4	2/2	1/1	1/1	1/1
Cheung Chong Wai, Janet	4/4	2/2	–	–	1/1

Directors Securities Transactions

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 year ended 31 March 2019.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 March 2019 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 51 to 55.

Risk Management Control and Internal Control Environment

Responsibility

Our Board of Directors has the overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while management is charged with the responsibility to design and implement an risk management and internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance.

Internal Control

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Audit Committee supports the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. Management assesses and represents regular reports to the Audit Committee on its own assessments of key risks, the strength of the overall internal controls systems with action plans to address the weaknesses. The Group has outsourced the internal audit function to external service provider who will provide regular reports on reviews of the business process and activities, including action plans to address any identified control weaknesses. External auditors also report on any control issues identified in the course of their work. Taking these into consideration, the Audit Committee reviews the effectiveness of the Group's system of internal controls and reports to the Board on such reviews.

Review of Internal Control Effectiveness

In respect of the year ended 31 March 2019, the Board considered the internal controls system effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified.

Risk Management

Establishment of Risk Management Framework

The Company has established a Risk Management Framework that includes developing a risk management policy and procedures since 2017.

Our Risk Management Process

Our risk management process includes risk identification, risk assessment and prioritization, risk treatment and upward reporting and monitoring of identified risk to the Audit Committee. A series of facilitated senior management risk assessment workshops to review and discuss risk exposures across the business were conducted in accomplishing the above. Risks were assessed by considering the impacts and likelihoods of their occurrence/non-occurrence as a result of changes in internet and external factors, further events or otherwise; whether these risks are being effectively managed; and if not, the need for establishing further actions. A corporate risk register has been established to track and document the identified risks, risk owners, mitigation actions and control measures, and facilitates continues update of risk treatments.

Annual reviews were conducted to follow up on the significant risks and related actions as documented in the corporate risk register, and the results reported to the Audit Committee. The year end risk management assessment as reported to the Board through the Audit Committee.

Subsequent to the year, the Audit Committee has reviewed the effectiveness and adequacy of risk management system for the year and the Board is satisfied with the effectiveness and adequacy of the system of risk management of the Group and considered that the Company had complied with the Code provisions in respect of risk management during the year.

Dissemination of Inside Information

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

Auditors' Remuneration

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2019 amounted to HK$479,500. The auditor did not provide any non-audit service to the Group during the year.

Company Secretary

The Company's secretarial functions are outsourced to external service provider, Ms. Lee Ka Man ("Ms. Lee"), as its Company Secretary and Mr. Lee Siu Kau, the Financial Controller of the Company, is the primary contact person of the Company with the Company Secretary.

Ms. Lee is an associate member of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Lee obtained a bachelor's degree in Business Administration from The Open University of Hong Kong in June 2002 and a master's degree in Business Administration from The Open University of Hong Kong in December 2004. She has more than 15 years of experience in the field of company secretarial services.

Ms. Lee has been in full compliance with the requirements of Rule 3.29 of the Listing Rules during the year.

Communication with Shareholders

The objective of communications with shareholders is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a variety of means to communicate with its shareholders and ensure that they are kept well informed of its key business development. The tools include convening general meetings, despatching to the shareholders interim and annual reports, announcements and circulars which are also posted on the websites of the Company and the Stock Exchange. Shareholders may at any time send their enquiries and concerns to the Company via the Company's website. Shareholders may also make enquiries with the Board at the general meetings of the Company.

2018 Annual General Meeting

At the 2018 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditor, general mandates respectively authorising the Directors to buy back shares or to issue shares of the Company and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and the Chairman of respective committees attended the annual general meeting to address enquiries raised by shareholders and ensure effective communication with shareholders.

General Meeting on Requisition by Shareholders

Pursuant to Section 566 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect on 3 March 2014, shareholder(s) representing at least 5 per cent of the total voting rights of all shareholders having a right to vote at general meetings can make a request to call a general meeting.

The request:

(a) must state the general nature of the business to be dealt with at the meeting;

(b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(c) may consists of several documents in like form;

(d) may be sent in hard copy form or electronic form; and

(e) must be authenticated by the person or persons making it.

Pursuant to section 567 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a meeting pursuant to section 568 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the directors duly to call the meeting.

Putting Forward Proposal at Annual General Meeting ("AGM")

Pursuant to Section 615 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which takes effect on 3 March 2014, shareholder(s) can make a request to circulate a resolution for an AGM if they represent:

(a) at least 2.5 per cent of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates; or

(b) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

The request:

(a) may be sent in hard copy form or electronic form;

(b) must identify the resolution of which notice is to be given;

(c) must be authenticated by the person or persons making it; and

(d) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

Procedures for Shareholders to Propose A Person for Election as a DIRECTOR

The procedures for shareholders to propose a person for election as a director have been uploaded to the website of the Company.

Constitutional Documents

During the reporting year, there was no change in the Company's constitutional documents.

Dividend Policy

The Dividend Policy aims to allow shareholders of the Company to participate in the Company's profits whilst allowing the Company to retain adequate reserves for future growth.

Under the Dividend Policy, the Company intends to provide Shareholders with semi-annual dividends in an aggregate amount subject to the Company's capacity to pay from accumulated and future earnings, liquidity position, fund reserve for growth and future commitments at the time of declaration of dividend.

The Company may also consider declaring special dividends from time to time in addition to the semi-annual dividends.

Dividend Policy (Cont'd)

The Company's ability to pay dividends will depend upon, among other things, the Company's current and future operations, liquidity position and capital requirements, as well as dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend. The payment of dividend is also subject to any restrictions under the Hong Kong law and the Company's Articles of Association.

The Board has complete discretion on whether to pay a dividend, subject to Shareholder's approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Company and its subsidiaries (the "Group").

This policy reflects the Board's views on the financial and cash-flow position of the Group prevailing at the time of its adoption, such dividend policy will continue to be reviewed by the Board from time to time and there can be no assurance that dividends will be paid in any amount for any given period. The Board may adopt changes on this policy as appropriate at the relevant time.

Environmental, Social and Governance Report

1 About the Report

Tern Properties Company Limited's (the "Company") and its subsidiaries (together referred to as the "Group") are pleased to present the Group's third Environmental, Social and Governance ("ESG") report (the "Report"). This Report summarizes the environmental and social impacts, policies and initiatives of the Group during the financial year of 2019 which began on 1 April 2018 and ended on 31 March 2019 to demonstrate our long-term commitment in ensuring that the Group's business are economically, socially and environmentally sustainable.

In preparing this Report, the Group has complied with the "Comply or Explain" provisions in accordance with the ESG Reporting Guide (the "Guide") as set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange and in accordance with the practical circumstances of the Company.

Unless otherwise stated, the scope of the Report covers all the business properties in Hong Kong. The Company will work with Property Management Company to ensure more data that have an impact on the stakeholder will be included in the report boundary in our future ESG reports.

The board of director of the Company (the "Board") acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of its knowledge, this Report addresses all material issues and fairly presents the ESG performance of the Company and its impact. The Board confirms that it has reviewed and approved the Report.

2 Our Approach to ESG

Our business objective is to create and manage efficient office spaces with enduring appeal to our tenants. At every different stages of our business cycle, we work closely with our tenants, partners and the communities in which we operate in order to safeguard their interests and fulfil their expectations.

We manage our properties with support from outsourced property management companies; thus, we are in a position to better control properties' risks and act immediately when opportunities arise. Across our business, we build strong relations with our employees and the communities, invest in bettering the building environment and thus create added value to the society.

We strive to forge ourselves into an environmentally friendly enterprise that cares about our employees' development and protects their rights and interests. The Group adheres to the principle of equality and integrity for its operation, and complies with business regulations and ethic codes.

The Group has a high level of awareness of its impacts on environment as well as the society, therefore it insists to put the environmental, social and governance policies into practice. By proactively upgrading our properties, the Group endeavours to meet the energy saving and emission reduction targets. The Group also enforces labour laws and fosters harmonious employer/employee relations by providing a safe and healthy working environment and a fair development platform for its employees.

The Board is responsible for the evaluation and identification of ESG risks of the Group and ensuring that the Group sets up an appropriate and effective ESG risk management and internal control system.

Therefore, the Group has established a ESG executive committee to specify the responsibility of implementing ESG management and objectives. The executive committee will drive and monitor ESG practices that are integrated with our business operation.

3 Our Stakeholders

Our business success is founded on the strong relationships we maintain with our stakeholders: investors, tenants, employees, business partners and the local communities, with an ongoing and multichannel engagement, we determine their expectations and drive our business value forward.

We firmly believe that a multitude and diversity of voices can lead to innovation, and we thus consider stakeholder engagement as an essential element of our business. Stakeholder views and expectations help us prioritize the actions and resources that we invest in our business. Throughout the year, we hold regular meetings with a broad array of stakeholders on key environmental, social and governance related topics. In addition to our internal stakeholders, we cooperate with suppliers, property management company, vendors, and engineer to tackle the major challenges that our properties have.

The following table summarises the highlights of our stakeholder engagement on ESG issues.

Stakeholder	Engagement Method	Action
Tenants	• Direct feedback from our tenants through annual questionnaires at different stages of a tenancy, as collected by our outsourced property management company. • Regular communications and discussions with key tenants and their representatives.	• Part of our daily work is to ensure that our properties operations team is available to respond to tenants' and business partners' concerns and to develop a win-win plan for a cost effective solution. • We follow-up on trends and developments in the field of office design & set-up concepts in order to be able to offer our tenants appropriate solutions to suit their needs.
Employees	• Annual appraisal meetings • Open-door approach • Periodic team events	• We firmly believe in positive and respectful communications, cooperative management style and provide employee performance development.

Stakeholder	Engagement Method	Action
Suppliers	• Dialogue before the beginning of a new business relation	• We choose our business partners carefully, and we value their work. We continue working with them for more than one project after performance reviews and receiving positive feedback from the work team. • We engage with local suppliers in our development projects as well as in the regular maintenance of our buildings.
Investors/ Shareholders	• Maintain good communications with shareholders via our Annual General Meeting • Quarterly financial reporting and annual ESG reporting as well as regular announcement	• Our operational focus is on maintaining the high level of occupancy in our portfolio as well as the quality of our revenue stream. • We only invest in assets that will sustain our growth requirements and deliver returns over a long period of time. • Our investor relations activities are focused on informing shareholders, financial analysts and the business press about the company's development.
Local communities	• Dialogue with affected neighbourhood before and during renovation projects.	• We believe that open and honest dialogue with our neighbourhood is key for the long-term prospects of the Company.

4 Materiality Assessment

We have developed over the years a ESG approach tailored to address our different stakeholders' interest. We gather updated information to understand the importance of environmental, social and governance issues by reviewing our priorities and align our resources and business strategy as our commitment to enhance environment sustainability. This research process allowed us to produce the materiality matrix. Each point on this matrix represents a material aspect for Tern Properties.

A closer look at the materiality matrix shows that some topics, such as financial performance, security and energy efficient, are considered to have a high impact on the Company's operation.

Picture 1 The Group's ESG Materiality Matrix

5 Environment

The Group is committed to reducing our energy consumption, greenhouse gas emissions, water consumption and waste footprint. Through a focused, coordinated effort, the Group has made significant progress.

The Group believes that what gets measured, gets managed. Thus this year, we have included data collection of our refrigerant usage for our properties' air conditioners and business air travels by employees. Due to the completeness of the data, we have further disclosed the NOx and SOx emission data. In the coming year, we plan to continue increasing our operational eco-efficiency, developing continuous improvement plan that considers science-based targets required to curb greenhouse gas emissions.

2019 marked the third year of our journey to significantly reduce our operational footprint. It has also presented an opportunity for reflection. We attribute much of our progress to a rigorous approach to data monitoring, with accountability and ownership cascading to individual properties.

The Group is committed to the high efficiency and green development concept. The awareness of environment protection is integrated in strategies and throughout all steps of the operation of the Company.

During the reporting period, no penalties had been imposed upon the Group for violation of any environmental laws and regulations. We did not receive any complaints in relation to environment protection raised by the tenants or any other person.

5.1 Emissions

As the Group is principally engaged in property investment and treasury investment without any manufacturing facility. The Group uses its offices located in one of building portfolios. It does not have significant emissions, discharge into water or land in relation to its operations in Hong Kong. And no substantial hazardous waste was produced by the Group.

The Group main emissions from their corporate office were nitrogen oxides ("NOx") and sulphur oxides ("SOx") air emission, Greenhouse Gas ("GHG"), non-hazardous waste and waste-water.

The Group's transport vehicles bought and used for company affairs, employ transport all conformed to relevant environmental laws and regulations in Hong Kong.

The Group has implemented appropriate checks on their properties' equipment to prevent breakdown or inefficient operations which may negative affect air emissions. The Group also has an appropriate emergency plan for potential emergencies that may result in negative environmental impact, which include procedures to handle identified non-compliance, with applicable corrective and preventive action.

The Group believes that its adopted environmental measures are sufficient and effective for meeting environmental protection regulations and requirements. During the reporting period, the Group complied with all relevant environmental rules and regulation in Hong Kong SAR that have a significant impact on the company's business. There were no significant fines or penalties for non-compliance with environmental laws and regulations during the year. And no material pollution and damage to the air, land, water sources and ecological environment in the vicinity has occurred.

5.1.1 Air Emissions

Table below is the Group's NOx and SOx emissions data from Gaseous Fuel Consumption.

	2019	
Air Emissions	**Amount**	**Intensity (Consumption/ Headcount)**
NOx emission (Kg)	91,077 Kg	5,060 Kg
SOx emission (kg)	453 Kg	25 Kg

5.1.2 Greenhouse Gas Emissions

Our efforts to respond to the challenges posed by climate change are based on ongoing efforts to reduce our GHG emissions. This year, the Group has included the refrigerant data of our corporate office for Scope 1 GHG emission calculation and also the business air travel for the Scope 3 GHG emission calculation. Accurate measurement based on GHG protocol gives us an accurate picture of our direct and indirect contribution to greenhouse gas emission.

The consumption of electricity at corporate office is the primary source of our GHG emission. The second primary source of GHG emission is the consumption of petrol for company vehicle.

During the reporting period, the Group's GHG emissions equated to a total of approximately 131,270 kg of CO_2 equivalent ("kgCO_2e") and the detailed summary of the GHG emission is shown as below:

	2019	
Greenhouse Gas	**Amount**	**Intensity (Consumption/ Headcount)**
Scope 1 Direct GHG emission	45,623 kgCO_2e	2,535 kgCO_2e
Scope 2 Indirect GHG emission	83,524 kgCO_2e	4,640 kgCO_2e
Scope 3 Other Indirect GHG emission	2,123 kgCO_2e	118 kgCO_2e
Total GHG Emission	131,270 kgCO_2e	7,293 kgCO_2e

5.1.3 Waste

The generation of waste in our properties are divided into 2 parts: waste generated in our corporate offices and waste generated by our tenants.

For our corporate office, the Group has implemented various programs to encourage employees to participate in waste reduction management, including:

- Encourage double-side printing and reuse of waste paper;
- Purchase green and environmental printing paper;
- Encourage to use electronic channels for internal correspondence and communication;
- Used printing supplies boxes and toners will be returned to printing supplies companies for recycling and reuse.

Through the above mitigation measures, the Group believes that it will change the behaviour of the use of resources in our workplaces and achieve the goal of waste reduction in the coming years.

5.1.4 Waste-water

The main categories of waste-water the Group discharges are city sewage from toilets and pantry including waste-water generated during the cleaning of the floor. For our corporate office building we encourage our staff to save water and adopt waterless cleaning or wiping to clean the floor.

5.2 Use of Resources

The Group strives to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we have implemented various energy saving and emission reduction measures. Apart from the waste reduction actions mentioned above, the other relevant examples are as follows:

1) Keep indoor air-conditioning temperature at 25°c during summer;

2) Encourage staff to shut down computers after work and switch off the lights if the employees are expected to be away from the room for more than one hour;

3) Replace the lighting system in the office by LED lights gradually; and

4) Encourage staff to switch office equipment, such as printers and computers, to energy saving mode (the equipment will enter the sleep mode under the standby condition).

5.2.1 Energy Consumption

The total energy consumption of our properties is divided into three parts: the electricity consumption from shared services in the common areas of our buildings, the energy consumption in the tenant areas, and the energy consumption in our corporate offices.

The procurement of energy in our properties is organized in two types: the landlord-obtained energy and the tenant-obtained energy. As a landlord, we are solely responsible for the energy consumed from the shared services in the common areas of our buildings and for the energy consumed in our corporate offices.

In this Report, the Group will disclose the energy consumption of the corporate office. During the Reporting Period, the Group had consumed 88,519 kWh of electricity in corporate office and 22,656 MJ of Towngas in properties profile.

Through the mitigation measure we implemented last year, the result showed that the electricity consumption of our corporate office decreased by 5.7% compared to last year and the consumption of Towngas of Group decreased by 8.8% compared to last year. As part of our annual energy management system review, we were able to take a closer look at our total energy consumption by sections. The results of this analysis show that we had no significant material changes as compared to last year. The predominant consumer groups responsible for total energy usage of our offices remain the computer, lighting and water.

The Group has 3 private vehicles in Hong Kong that are used in our company affairs. The vehicles are the second largest contributor to our emissions profile. During the reporting period, the vehicles consumed approximately 6,294 litres of petrol.

As the fuel price was high and continued volatility is predicted, the Group has implemented the fuel-efficient action plan to trim petrol use. The plan encourages drivers to plan the journey wisely before driving, adopt a gentle style of acceleration, and conduct regular servicing of vehicles including periodic tyres check. Tyres with bad condition will raise fuel consumption.

	The non-renewable energy	**Amount**	**Intensity (Consumption/ Headcount)**
	Electricity	88,519 kWh	4,918 kWh
	Towngas	22,656 MJ	1,259 MJ
	Petrol	6,294 litres	350 litres

5.2.2 Water

The use of water in our properties are divided into 2 parts: resources used in our corporate offices and resources used in tenanted areas. As our business operation is in Hong Kong, the water challenges we face are mostly related to rainfall and weather changes events. We have to confront problems such as overloading of sewers and water sources. We believe that, by collecting and measuring water consumption properly, we can manage the usage of water more effectively.

In addition, we comply with all applicable Hong Kong laws with regard to access to water and its treatment. Since we start to collect water consumption data, we have focused on reducing the water footprint for our own operations. We have undertaken measure to check water leakage from our property pipe.

Behavioural habits are also critical, we have encouraged staff to save water. Regardless of the abundance of water in Hong Kong, we consider it our duty to conserve water and use it in a responsible manner.

During the reporting period, the Group's corporate office water usage is 96 tonnes.

	2019	
Water	**Amount**	**Intensity (Tonnes/ Employee)**
Water Consumed	96 Tonnes	5 Tonnes

5.2.3 Packaging Materials

Due to the nature of the business, the Group does not engage in activities involving any plastic or paper material use of packaging materials. Therefore, the Group considered the number of packaging materials usage was insignificant.

5.2.4 Paper Usage

Alongside environmental concerns of the Group is the drive to improve efficiency and to keep the cost under control over all aspects of the office's operations. Within this context, Tern Properties has identified paper usage as a key area to address.

During the reporting period, we have used 145 rims of A4 paper. The paper usage increased 3.6% compared to the previous year. The increase of paper usage was due to more printout for extra financial reports and special projects.

5.3 Environment and Natural Resources

The Group is committed to the protection of the environment. We encourage the saving of natural resources by enhancing staff's awareness and reviewing the business operations efficiency regularly. We have been adopting environmental friendly practice in various aspects. During the reporting period, we complied with all relevant environmental rules and regulation in Hong Kong. The Group was not aware of any material non-compliance with environmental laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the environment and natural resources. As mentioned in above sections headed "Environment – Waste" and "Use of resources", the Group will continue to adopt environmental friendly measures and actions and strive to minimise the impacts of our business development on the environment and natural resources.

6 Employment

6.1 Labour Practices

The Group has always considered talents as the most valuable resource and asset. We respect and protect the legitimate rights and interests of employees, provide a fair career development platform, care employees' physical and mental health, and join hands with employees to realize sustainable development.

The Group has developed sound employment policies covering the requirements and standards of recruitment, promotion, remuneration, resignation, treatment and so on, and regulates each requirement and standard to ensure the efficient management of human resources.

The Human Resource Department develops recruitment plans in accordance with the recruitment needs of various departments, and continuously introduce talents to join the Group through reputable recruiters, internal referral and other channels. The Human Resource Department strictly implements the recruitment evaluation program, adheres to the selection principle of fairness and selection of high calibre, and provides equal job opportunities in accordance with their competence and abilities. The Group enters into employment contracts with the employees in accordance with the requirements of the Hong Kong Employment Ordinance, covering matters such as wages benefits and safety in the workplace, and grounds for termination.

The Group is committed to implementing the remuneration distribution principals based on performance, efficiency and fairness. On top of labour basic salary, the Group may pay performance bonuses in accordance with employees' performance and the Group's business performance. In order to maintain a competitive remuneration package, the Group carries out evaluation and adjustment on remuneration every year with reference to the social average wage, the consumption level and the industry rate, so as to attract and retain talents.

During the reporting period, the Group has not discovered any material violation of employment and labour related laws and regulations.

6.1.1 Employee Profile

The Group commitment is to support the local community by hiring local employees. As at 31 March 2019, the Group employed a total of 18 employees. All our employees are local.

As an equal opportunity employer, the Group efforts are leaning towards of hiring the most talented people. As per the below graph, most of our employees are females and they account of 61%, whereas males employees account of 39% of the total workforces.

Environmental, Social and Governance Report

18 Total Employees

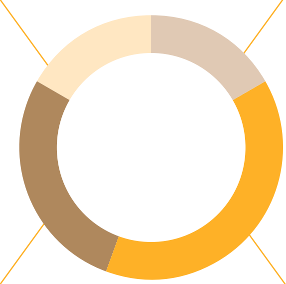
7 Total Male Employees

11 Total Female Employees

By Ages

3 25 - 34 years old

3 35 - 44 years old



5 Above 55 years old

7 45 - 54 years old

By Employment Mode

18 Full time

By Location

18 Hong Kong

By Level

6 Management

12 Non-management

6.1.2 Employee Turnover Rate

The employee turnover rate refers to the percentage of employees who leave an organization during a certain period of time. We have included employees' voluntary resignation, dismissals, and retirements in the turnover rate calculations.

High rate of employee turn-over can add cost of the Company.

Tern Properties had 0 employees resigned during the Reporting Period. The turnover rate is 0%.

6.2 Health and Safety

As a responsible employer, health and safety in the workplace is a part of our duty of care for employees. We are committed to reducing accidents, illness, and risks in the working area as far as possible, promoting the health of our employees, and thus also reducing the absence rate and employees' turnover rate. We focus on two major areas to minimize occupational hazards and health and safety risks:

1. Occupational health management; and

2. Workplace safety at our office and our leasing properties including fire protection measures.

Although the nature of jobs in the Group are low-danger positions, we do not take this lightly. The Group evaluates and identifies the risk of safety in our premises and various leasing properties, and precautionary measures are recommended accordingly. For example, regular checks will be conducted on first aid kits and fire services equipment to ensure they are placed in a prominent position and are checked regularly and restocked if any items are damaged or are out of date. Our safety code of practice provides guidance on the selection, provision, and use of personal protective equipment and requirements for specific hazards.

For fire prevention, the Group participates in fire drills organized on regular basis by the building management every year, and conducts post-event evaluation on the efficiency and smooth process of the fire drill to make improvements. Focus of attention is on the emergency evacuation route and whether tenants can reach the gathering point within time limit.

During the reporting period, the Group has achieved zero work-related fatalities and lost days due to work injury and did not discover any material non-compliance of occupational health and safety related laws and regulations.

6.3 Development and Training

The Group had put in learning and development measures for our employees and help them grow in line with their respective tasks. The training can strengthen their sense of responsibility and willingness to learn and encourage employees the continuance of learning at every stage of their development.

The Company has provided suitable trainings across different operational functions, including induction training for new employees and on-the-job training. Contents of trainings include on-the-job trainings at various levels as well as internal and external courses, with contents including management and skills.

During the reporting period, 33% of our employees are selected to participate the training. 11% were from management level and 22% were from non-management level. The average training hours are 16 hours per trained employee annually.

6.4 Labour Standard

The Group strictly abides by the relevant employment and labour laws and regulations and has never employed any child labour under 16 and using of forced labour. It has formulated clear policies to prevent compulsory labour and employment of child labour, make sure that our employees enjoy their fundamental rights related to labour and has insisted on monitoring the recruitment process frequently to prevent the occurrence of illegal conduct. Our Code of Conduct and employment contract sets out our general approach regarding labour standards. In addition to our code of conduct, our human resource policy also covers the labour standard. The policy provides the framework of rules applicable to all HR activities within our operations. During the reporting period, the Group did not discover any material non-compliance of labour rights and labour related laws and regulations.

6.5 Supply Chain Management

The Group believes that proper management of its supply chain could bring positive impacts to the social environment and a stable and long-term cooperation relationship with suppliers would enhance the standard of operation and services of the Group.

The Group has established the relevant policy on supply chain management, such as the Procurement Policy of the Group which have explicitly stated, among other things, the procedure of procurement, selection of suppliers, review and approval process and management, to ensure that the process is fair and transparent. The Group has established a qualified suppliers' list in which their performances are evaluated. The Group selected the supplier in accordance of the approved contractor list and considering of the cost, quality and job performance. The supplier has to follow the Group's instruction to submit quote and complete the work on time. Rating report of the supplier would be prepared twice per year.

6.6 Product Responsibility – leasing Properties

By hosting numerous visitors every day, our properties are an important part of the communities where they are located. Through our operations and our corporate and employee contributions, we strive to enhance the quality of life in these communities. We act as responsible citizens and good neighbours, thus respecting the interests of those who live and work in or near our properties. Since our business is local, we try as much as we can to support local entrepreneurs in our supply chain.

Before any renovation project begins, we communicate closely with all involved parties to minimize dispute about our project including affected tenants and the immediate neighbours up front. We aim to find solutions and reduce the negative effects for all parties involved.

In delivering our properties leasing services, it is very important to meet our tenants' expectations in order to ensure continuous improvement and growth of our business. In a very competitive leasing market, understanding our tenants' needs and expectations is imperative for sustainable growth.

To sustain long-term relationship with our tenants we are committed to:

- ensure our properties are maintained at high quality.
- ensure properties safety.
- address tenants' needs, requirements and expectations.
- support our property management partners.
- manage our service quality by following industry standards.
- maintain open communications with our employees, tenants, and suppliers.

In addition, regular maintenance and inspections would be carried out on the leased properties by our technical staff and outsourcing contractors. A customer satisfaction survey would be held at the end of each year. The tenants' satisfaction ratings would be assessed and used to identify specific areas for further improvement.

We also value the feedback from our tenants as they act as catalyst for advancement in our services. Tenants can reflect their comments and views on the quality of our services through different channels such as through a designated phone call where they will all be directed to and handled by our dedicated customer service team.

6.7 Protection for Customer Privacy

The Group attaches great importance to information security to maintain a sound corporate reputation and establish a cooperative and trusted business relationship with tenants.

We are committed to improving information confidentiality management system, and limiting employees' access to confidential information of tenants through the implementation of a number of information security measures and adopt strict management in order to guarantee that certain information is for authorized users only.

We have educated our employees the following:

- Preserving our tenants' trust by safe-guarding and handling their information in a private and confidential manner.
- Restrict the use of personal data for the purpose of which data is to be used to minimize any breach of privacy.

During the reporting period, the Group did not discover any circumstance of consumers' personal data being stolen, altered, damaged or leaked.

6.8 Anti-Corruption

The Group maintains and effectively implements a comprehensive system of internal control and stringent policies for anti-corruption and is committed to prevent and monitor any malpractices or unethical practice.

The Group has strictly complied with ethical requirements and there was no occurrence of corruption, bribery, fraud and money laundering throughout the reporting period. The Group will adhere to its corporate ethics and uphold its reputation to prevent corruption.

The Group's anti-corruption awareness programs is given to all new employees and we continue to remind employees during various job training. The purpose of the program is to help all employees understand the Group's values and the policy. Integrity is vital part of the Group's business. The Group's management is committed to sending clear, and regular message to all employees and business partners that corruption and bribery are unacceptable.

Employees can report to the management of the Group with respect to any non-compliance such as receiving bribes, abuse of power by mail, electronic mail or phone. All business units have a responsibility to conduct regular risk assessment of their anti-corruption procedures and implement remediating measures to mitigate risks.

6.9 Community Investment

The Group believes that community involvement may facilitate social development in a harmonious and organic manner. In order to operate as a responsible corporate citizen and put its social commitment into practices, the Group plans to participate in social charity activities, such as donation. We also encourage and promote employees to participate in community services and meaningful charity works.

Directors' Report

The board of directors of the Company ("Board") presents its annual report and the audited consolidation financial statements of the Company and its subsidiaries (collectively "Group") for the year ended 31 March 2019.

Principal Activities

The Company continues to act as an investment holding company. The principal activities of its principal subsidiaries and associates as at 31 March 2019 are set out in notes 33 and 19 to the consolidated financial statements respectively. The business review of the Group for the year ended 31 March 2019, as well as further discussion and analysis required by Schedule 5 to the Hong Kong Companies Ordinance, are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 9 of the Annual Report.

Results and Appropriations

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56.

An interim dividend of HK2.2 cents per share amounting to HK$6,771,000 was paid on 12 December 2018. The Directors now recommend the payment of a final dividend of HK3.2 cents per share to be paid to the shareholders on the Register of Members on 23 August 2019 amounting to HK$9,848,000.

Investment Properties and Property, Plant and Equipment

The Group revalued all of its investment properties at the end of the reporting period. The net deficit arising on revaluation, which has been charged directly to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$15.5 million.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group are set out in notes 16 and 17 to the consolidated financial statements respectively.

Particulars of Major Properties Held by the Group

Details of the properties held by the Group at 31 March 2019 are set out on pages 127 to 128.

Share Capital

Details of movements in the share capital of the Company are set out in note 26 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Director
Mr. Chan Hoi Sow
Mr. Chan Yan Tin, Andrew
Ms. Chan Yan Wai, Emily

Non-Executive Director
Ms. Chan Yan Mei, Mary-ellen

Independent Non-Executive Director
Mr. Chan Kwok Wai
Mr. Tse Lai Han, Henry
Ms. Cheung Chong Wai, Janet

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to Article 103 of the Articles of Association, Mr. Chan Hoi Sow, Ms. Chan Yan Wai, Emily and Mr. Tse Lai Han, Henry shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors of Subsidiaries

The names of person who have served on the board of the subsidiaries of the Company during the year and up to the date of the report are Mr. Chan Hoi Sow, Mr. Chan Yan Tin, Andrew, Ms. Chan Yan Mei, Mary-ellen, Mrs. Chan Loo Kuo Pin and Ms. Chan Yan Wai, Emily.

Directors' Interests in Shares

At 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(i) Interest in the Company (long position)

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	Beneficial owner	Personal Interest	2,036,000	173,772,896	56.46
	Interest of controlled corporation	Corporate Interest (Note 1)	25,822,896		
	Founder of a discretionary trust	Other Interest (Notes 1 & 2)	171,736,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal Interest	792,000	172,528,896	56.05
	Beneficiary of a trust	Other Interest (Notes 2 & 3)	171,736,896		
Chan Yan Wai, Emily	Beneficiary of a trust	Other Interest (Notes 2 & 4)	171,736,896	171,736,896	55.80
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other Interest (Notes 2 & 5)	171,736,896	171,736,896	55.80

Directors' Interests in Shares (Cont'd)

(i) Interest in the Company (long position) (Cont'd)

Notes:

1. These 25,822,896 shares are held by Evergrade Investments Limited. The issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members. These 25,822,896 shares are also included in the 171,736,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.

2. The three references to 171,736,896 shares relate to the same block of shares in the Company. The 171,736,896 shares are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan Hoi Sow and the beneficiaries of which are Mr. Chan Hoi Sow and his family members. By virtue of the shareholdings as aforementioned, Mr. Chan Hoi Sow is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

3. Mr. Chan Yan Tin, Andrew is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

4. Ms. Chan Yan Wai, Emily is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Wai, Emily is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

5. Ms. Chan Yan Mei, Mary-ellen is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Mei, Mary-ellen is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

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

Name of Director	Name of the associated corporation	Capacity	Nature of interests
Chan Yan Wai, Emily	Win Easy Development Limited	Interest of Controlled Corporation	Corporate Interest

Note: The issued share capital of Win Easy Development Limited is beneficially owned as to 50% by the Company and as to 50% by Kotime Properties Limited which is owned as to 10% by Fortman Investments Limited, a company wholly owned by Ms. Chan Yan Wai, Emily.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2019 or had been granted or exercised any such right during the period.

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Directors' Interests In Competing Business

None of the Directors or their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interest with the Group during the year.

Directors' Interest in Transactions, Arrangements or Contracts of Significance

No transactions, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contract other than employment contract, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

Permitted Indemnity Provision

The Articles of Association of the Company provides that every director or other officers should be indemnified out of assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. Such provision was in force during the course of the year and remained in force as of the date of this Annual Report. The Company has arranged appropriate directors' and officers' insurance coverage for the Directors and officers of the Company and its subsidiaries.

Substantial Shareholders

At 31 March 2019, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Loo Kuo Pin	Interest of Spouse	Family Interest (Note 1)	173,772,896	173,772,896	56.46
Credit Suisse Trust Limited as trustee of Sow Pin Trust	Interest of Controlled Corporation	Corporate Interest (Notes 2, 3 & 4)	171,736,896	171,736,896	55.80
Brock Nominees Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2 & 3)	171,736,896	171,736,896	55.80
Global Heritage Group Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2 & 3)	171,736,896	171,736,896	55.80
Beyers Investments Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2, 3 & 4)	171,736,896	171,736,896	55.80
Noranger Company Limited	Beneficial Owner	Corporate Interest (Notes 2, 3 & 4)	145,914,000	145,914,000	47.41
Evergrade Investments Limited	Beneficial Owner	Corporate Interest (Notes 2, 3 & 4)	25,822,896	25,822,896	8.39
Grand Fort Investments Limited	Beneficial Owner	Corporate Interest	61,051,277	61,051,277	19.84
Law Fei Shing	Interest of Controlled Corporation	Corporate Interest (Note 5)	61,051,277	61,051,277	19.84
Chim Pui Chung	Interest of Controlled Corporation	Corporate Interest (Note 5)	61,051,277	61,051,277	19.84

Substantial Shareholders (Cont'd)

Notes:

1. The interest is the same block of shares already disclosed under the personal, corporate and other interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "Directors' Interests in Shares".

2. All interests of Credit Suisse Trust Limited as trustee of Sow Pin Trust, Brock Nominees Limited, Global Heritage Group Limited, Beyers Investments Limited and the aggregate interests of Noranger Company Limited and Evergrade Investments Limited relate to the same block of shares in the Company.

3. Credit Suisse Trust Limited as trustee of Sow Pin Trust is the holding company of Brock Nominees Limited and is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 4 below through interests of corporations controlled by it as follows:–

Name of controlled corporation	Name of controlling shareholder	Percentage control
Brock Nominees Limited	Credit Suisse Trust Limited as trustee of Sow Pin Trust	0.00
Global Heritage Group Limited	Brock Nominees Limited	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

4. Credit Suisse Trust Limited as trustee of Sow Pin Trust is interested in 171,736,896 shares which are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Beyers Investments Limited and as to 50% by Mr. Chan Hoi Sow. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members as disclosed in the section headed "Directors' Interests in Shares".

5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Grand Fort Investments Limited.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2019, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Major Customers and Suppliers

During the year, the five largest customers of the Group accounted for 33.3% of total turnover of the Group and the five largest suppliers of the Group accounted for less than 12.2% of total purchases of the Group. The Directors do not consider any one customer or supplier to be influential to the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Sufficiency of Public Float

Reference is made to the latest announcement of the Company dated 12 April 2019. The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this report, the public float of the Company is approximately 23.44%.

The Company is considering various options to restore its public float. The Company has proposed an off market share buy-back of 30,525,639 shares of the Company from Grand Fort Investments Limited ("Grand Fort"), a substantial shareholder of the Company, on commercially reasonable terms which is subject to the approval by the independent shareholders of the Company at the extraordinary general meeting ("Share Buy-back").

On 26 April 2019 (after trading hours), being the same date of execution of the Deed of Undertaking (as amended and supplemented on 16 May 2019 and 13 June 2019), the Board of the Directors of the Company was informed by Mr. Chan Hoi Sow ("Mr. Chan") that, Grand Fort (as seller), Mr. Chim Pui Chung and Mr. Law Fei Shing (as the Guarantors), and Smartprint Development Limited (as purchaser) have entered into the Sale and Purchase Agreement, pursuant to which Smartprint Development Limited conditionally agreed to acquire and Grand Fort conditionally agreed to sell the 30,525,638 shares of the Company, representing approximately 9.92% of the entire issued share capital of the Company as at 16 May 2019. Smartprint Development Limited is a company wholly owned by Mr. Chan.

Immediately upon completion of Share Buy-back and Sale and Purchase Agreement and cancellation of the 30,525,639 shares of the Company, the public float of the Company would be restored to approximately 26.02% which would meet the prescribed requirement under Rule 8.08 of the Listing Rules. The details of the proposals were set out in the announcement of the Company dated 16 May 2019.

Compliance with the Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2019 and up to the date of this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Auditor

The financial statements for the year have been audited by Messrs. HLM CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 26 June 2019

Independent Auditor's Report

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Rooms 1501-8, 15th Floor, Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
香港灣仔莊士敦道181號大有大廈15樓1501-8室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
Email 電郵: info@hlm.com.hk

TO THE MEMBERS OF TERN PROPERTIES COMPANY LIMITED
太興置業有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 125, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to note 16 to the consolidated financial statements

Key Audit Matter

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements involved in determining the inputs used in the valuation.

The Group had investment properties held by subsidiaries of approximately HK$2,952,288,000 and associates of approximately HK$737,500,000 as at 31 March 2019 for which a loss arising on change in fair value was recognised and presented as an "Fair value losses on investment properties" and included in "Share of results of associates" respectively in the consolidated statement of profit or loss and other comprehensive income. The fair value was determined by management with reference to the valuations performed by independent valuers (the "valuers") engaged by the Group.

The valuations of investment properties involved significant judgements and estimates including:

– the determination of valuation techniques, which included direct comparison approach and income capitalisation approach; and

– the selection of different inputs in the models.

How our audit addressed the Key Audit Matter

Our procedures in relation to the valuation of the investment properties included:

– evaluating the competence, capabilities, independence and objectivity of the valuers;

– obtaining and inspecting the valuation report prepared by the valuers;

– discussing the valuations with management and the valuers and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalisation rates, by comparing them with historical rates and available market data;

– evaluating the valuation methodology used and the appropriateness of the key assumptions and parameters based on our knowledge of other property valuations for similar types of properties; and

– checking the accuracy and relevance of the input data used in the valuations on a sample basis.

We found the key assumptions used in management's valuation of investment properties were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit concluded in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLM CPA Limited
Certified Public Accountants
Wong Kam Hing
Practising Certificate Number: P05697
Hong Kong, 26 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Turnover	5	**80,270**	81,260
Property expenses		**(2,294)**	(2,992)
Gross profit		**77,976**	78,268
Fair value (loss) gain on investment properties	16	**(15,917)**	13,592
Realised loss on disposal of debt instruments at fair value through other comprehensive income		**(29,637)**	–
Realised gain on disposal of available-for-sale financial assets		**–**	10,364
Realised (loss) gain on disposal of financial assets at fair value through profit or loss		**(1,303)**	3,179
Unrealised loss on revaluation of financial assets at fair value through profit or loss		**(46)**	(1,029)
Dividend income		**1,204**	3,507
Interest income	7	**40,458**	45,600
Other income, gains and losses, net	8	**2,599**	3,358
Administrative expenses		**(34,561)**	(34,257)
Profit from operations	9	**40,773**	122,582
Finance costs	10	**(6,739)**	(6,496)
Share of results of associates	19	**616**	3,725
Profit before taxation		**34,650**	119,811
Taxation	13	**(9,116)**	(9,556)
Profit for the year attributable to owners of the Company		**25,534**	110,255
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Net gain arising on revaluation of debt instruments at fair value through other comprehensive income		**6,856**	–
Release of investment revaluation reserve upon disposal of debt instruments at fair value through other comprehensive income		**(11,983)**	–
Net gain arising on revaluation of available-for-sale financial assets		**–**	5,874
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		**–**	(8,312)
Other comprehensive expense for the year, net of tax		**(5,127)**	(2,438)
Total comprehensive income for the year attributable to owners of the Company		**20,407**	107,817
Earnings per share			
Basic and diluted	15	**HK8.30 cents**	HK35.83 cents

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	16	**2,952,288**	2,968,412
Property, plant and equipment	17	**4,425**	6,368
Leasehold land	18	**14,830**	14,922
Interests in associates	19	**355,458**	363,174
Debt instruments at fair value through other comprehensive income	20	**443,419**	–
Available-for-sale financial assets	20	**–**	604,439
Financial assets at fair value through profit or loss	20	**430**	–
Deferred rental income		**307**	131
Deferred tax assets	25	**36**	–
		3,771,193	3,957,446
Current assets			
Trade and other receivables	21	**13,535**	16,737
Available-for-sale financial assets redeemable within one year	20	**–**	80,761
Financial assets at fair value through profit or loss	20	**7,254**	22,113
Leasehold land – current portion	18	**92**	92
Deferred rental income – current portion		**463**	422
Tax recoverable		**1,964**	4,730
Pledged bank deposits	22	**149,600**	1,292
Bank balances and cash	22	**128,208**	63,339
		301,116	189,486
Current liabilities			
Other payables and receipts in advance	23	**9,958**	7,911
Deposits received from tenants		**12,408**	11,317
Tax liabilities		**1,434**	2,800
Secured bank borrowings – due within one year	24	**11,808**	82,405
		35,608	104,433
Net current assets		**265,508**	85,053
Total assets less current liabilities		**4,036,701**	4,042,499

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deposits received from tenants		**12,335**	12,604
Deferred tax liabilities	25	**27,949**	26,426
Secured bank borrowings – due after one year	24	**256,500**	267,614
		296,784	306,644
Net assets		**3,739,917**	3,735,855
Capital and reserves			
Share capital	26	**229,386**	229,386
Reserves		**3,510,531**	3,506,469
Total equity		**3,739,917**	3,735,855

The consolidated financial statements on pages 56 to 125 were approved and authorised for issue by the Board of Directors on 26 June 2019 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Yan Tin, Andrew
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital	Investment revaluation reserve	Dividend reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	229,386	17,346	9,848	3,388,077	3,644,657
Profit for the year	–	–	–	110,255	110,255
Other comprehensive income (expense):					
Net gain arising on revaluation of available-for-sale financial assets	–	5,874	–	–	5,874
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(8,312)	–	–	(8,312)
Total comprehensive income (expense) for the year	–	(2,438)	–	110,255	107,817
Dividends declared (note 14)	–	–	16,619	(16,619)	–
Dividends paid	–	–	(16,619)	–	(16,619)
At 31 March 2018	229,386	14,908	9,848	3,481,713	3,735,855
Impact from initial application of HKFRS 9 (note 2)	–	–	–	274	274
At 1 April 2018 (Restated)	229,386	14,908	9,848	3,481,987	3,736,129
Profit for the year	–	–	–	25,534	25,534
Other comprehensive income (expense):					
Net gain arising on revaluation of debt instruments at fair value through other comprehensive income	–	6,856	–	–	6,856
Release of investment revaluation reserve upon disposal of debt instruments at fair value through other comprehensive income	–	(11,983)	–	–	(11,983)
Total comprehensive income (expense) for the year	–	(5,127)	–	25,534	20,407
Dividends declared (note 14)	–	–	16,619	(16,619)	–
Dividends paid	–	–	(16,619)	–	(16,619)
At 31 March 2019	**229,386**	**9,781**	**9,848**	**3,490,902**	**3,739,917**

The retained profits of the Group include approximately HK$395,423,000 (2018: approximately HK$394,807,000) retained by associates of the Group.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Profit for the year		25,534	110,255
Adjustments for:			
Share of results of associates	19	(616)	(3,725)
Interest income	7	(40,458)	(45,600)
Dividend income		(1,204)	(3,507)
Interest expenses	10	6,739	6,496
Tax expenses	13	9,116	9,556
Fair value loss (gain) on investment properties	16	15,917	(13,592)
Depreciation of property, plant and equipment	17	1,943	2,577
Amortisation of leasehold land	18	92	92
Realised loss on disposal of debt instruments at fair value through other comprehensive income		29,637	–
Realised gain on disposal of available-for-sale financial assets		–	(10,364)
Realised loss (gain) on disposal of financial assets at fair value through profit or loss		1,303	(3,179)
Unrealised loss on revaluation of financial assets at fair value through profit or loss		46	1,029
Exchange adjustments on investment properties	16	207	(242)
Operating cash flows before movements in working capital		48,256	49,796
Decrease in trade and other receivables		202	753
(Increase) decrease in deferred rental income		(217)	247
Increase (decrease) in other payables and receipts in advance		2,116	(2,928)
Increase (decrease) in deposits received from tenants		822	(4,185)
Cash generated from operations		51,179	43,683
Profits tax paid		(6,973)	(12,875)
Profits tax refunded		744	195
Net cash from operating activities		44,950	31,003

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Interest received		**43,458**	41,924
Dividend received from investments		**1,204**	3,507
Dividend received from an associate		**8,400**	9,000
Withdrawal of pledged bank deposits		**1,292**	1,437
Purchase of debt instruments at fair value through other comprehensive income		**(215,766)**	–
Purchase of available-for-sale financial assets		**–**	(283,777)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**422,627**	–
Proceeds from disposal of available-for-sale financial assets		**–**	130,111
Purchase of financial assets at fair value through profit or loss		**(227)**	(136,062)
Proceeds from disposal of financial assets at fair value through profit or loss		**13,737**	116,099
Purchase of property, plant and equipment	17	**–**	(732)
Net cash from (used in) investing activities		**274,725**	(118,493)
Financing activities			
Dividend paid		**(16,619)**	(16,619)
Interest paid		**(6,808)**	(6,338)
New bank loans raised		**190,000**	1,431,109
Repayment of bank loans		**(271,711)**	(1,291,090)
Repayment to associates		**(68)**	(75)
Net cash (used in) from financing activities		**(105,206)**	116,987
Net increase in cash and cash equivalents		**214,469**	29,497
Cash and cash equivalents at beginning of the year		**63,339**	33,842
Cash and cash equivalents at end of the year		**277,808**	63,339
Cash and cash equivalents represented by:			
Bank balances and cash	22	**128,208**	63,339
Pledged bank deposits	22	**149,600**	–
		277,808	63,339

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

1. General Information

Tern Properties Company Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchanges of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 33 and 19 to the consolidated financial statements respectively.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 -2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Cont'd)

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from rental income which arise from contracts with tenants for leasing the Group's investment properties.

Information about the Group's accounting policies resulting from application of HKFRS 15 are disclosed in notes 3 to the consolidated financial statements.

The management has reassessed its business model and contract terms to assess the effects of applying the new standards and there is no impact on the consolidated financial statements of the Group.

The Group has also voluntarily changed the presentation of receipts in advance in relation to rental income of approximately HK$3,803,000 to contract liabilities in the consolidated statement of financial position as at 1 April 2018, to reflect the terminology of HKFRS 15 and HKFRS 9.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Cont'd)

HKFRS 9 "Financial instruments"

In the current period, the Group has applied HKFRS 9 "Financial instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and lease receivables and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3 to the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	AFS financial assets HK$'000	Financial assets at FVTOCI HK$'000	Financial assets at FVTPL HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000
Closing balance as at 31 March 2018 – HKAS 39	685,200	–	22,113	14,908	3,481,713
Impact from initial applications of HKFRS 9:					
Reclassification					
From AFS financial assets	(685,200)	685,044	156	–	–
Remeasurement					
From cost to fair value	–	–	274	–	274
Opening balance as at 1 April 2018	–	685,044	22,543	14,908	3,481,987

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Cont'd)

HKFRS 9 "Financial instruments" (Cont'd)

(i) Available-for-sale ("AFS") financial assets

Reclassification from AFS financial assets to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's club debentures of approximately HK$156,000 were reclassified from AFS financial assets to financial assets at FVTPL. The net fair value gain of approximately HK$274,000 relating to the club debentures as at 1 April 2018 were recognised to retained profits.

Reclassification from AFS debt securities to financial assets at FVTOCI

Listed bonds with a fair value of approximately HK$685,044,000 were reclassified from AFS financial assets to financial assets at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related net fair value gain of approximately HK$14,908,000 continued to accumulate in the investment revaluation reserve as at 1 April 2018.

(ii) Impairment under ECL model

Loss allowances for financial assets at amortised cost, comprising mainly other receivables, pledged bank deposits and bank balances and cash are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that there is no material impact to the consolidated financial statements as a whole.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Cont'd)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and an interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Cont'd)

HKFRS 16 "Leases" (Cont'd)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion, which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$1,425,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of HK$180,000 and refundable rental deposits received of approximately HK$24,743,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The 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 at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Significant Accounting Policies (Cont'd)

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

3. Significant Accounting Policies (Cont'd)

Basis of consolidation (Cont'd)

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in subsidiaries

Interests in subsidiaries presented in the statement of financial position of the Company included in note 34 to the consolidated financial statements are stated at cost less any identified impairment loss.

3. Significant Accounting Policies (Cont'd)

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests by the Group. When the Group's share of losses of an associate exceeds the Group's interests in that associate (which include any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (Cont'd)

Interests in associates (Cont'd)

When the Group ceases to have significance over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers (Upon application of HKFRS 15)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

3. Significant Accounting Policies (Cont'd)

Revenue from contracts with customers (Upon application of HKFRS 15) (Cont'd)

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured: when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Rental income is recognised on a straight-line basis over the respective lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service income is recognised when services are provided.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the rights to receive payment have been established.

3. Significant Accounting Policies (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. Significant Accounting Policies (Cont'd)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Leasehold buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies (Cont'd)

Impairment of tangible assets (Cont'd)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amounts of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Significant Accounting Policies (Cont'd)

Foreign currencies (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Retirement benefits scheme

Payment to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (Cont'd)

Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies (Cont'd)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (Cont'd)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (Cont'd)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss (excludes any dividend or interest earned on the financial asset which are disclosed as separate items) and is included in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (Cont'd)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on internal credit rating and/or aging and past due status.

For all instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (Cont'd)

(i) Significant increase in credit risk (Cont'd)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (Cont'd)

(iii) Credit-impaired financial assets (Cont'd)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is held for trading or it is designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(ii) A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Cont'd)

(ii) A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if: (Cont'd)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income, gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 31(c).

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including financial assets included in trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL and loans and receivables.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividend is established. Other changes in the carrying amounts of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Cont'd)

(iv) AFS financial assets (Cont'd)

Club debentures included in AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Cont'd)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Derecognition of financial assets (Cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debit or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including financial liabilities included in other payables and receipts in advance, deposits received from tenants and secured bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (Cont'd)

Related parties

A related is a person or an entity that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group and the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entities and the Group are the member of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with an entity.

(i) the person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; or

(iii) dependents of that person or that person's spouse or domestic partner.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal of its investment properties.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Cont'd)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2019 at their fair value of approximately HK$2,952,288,000 (2018: approximately HK$2,968,412,000). The fair value was based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. Turnover

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

	2019 HK$'000	2018 HK$'000
Property rental income	**80,270**	81,260

6. 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 gains (losses) 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 realised gain (loss) on disposal of financial assets at FVTPL and debt instruments at FVTOCI (2018: AFS financial assets), unrealised loss on revaluation of financial assets at FVTPL, interest income from debt instruments and dividend income from equity securities.

6. Operating Segments (Cont'd)

Segment information

For the year ended 31 March 2019

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Gross rental income	80,270	–	80,270
Property expenses	(2,294)	–	(2,294)
Net rental income	77,976	–	77,976
Fair value loss on investment properties	(15,917)	–	(15,917)
Realised loss on disposal of debt instruments at FVTOCI	–	(29,637)	(29,637)
Realised loss on disposal of financial assets at FVTPL	–	(1,303)	(1,303)
Unrealised loss on revaluation of financial assets at FVTPL	–	(46)	(46)
Dividend income from equity securities	–	1,204	1,204
Interest income from debt instruments	18	40,440	40,458
Other income, gains and losses, net	4,042	(1,443)	2,599
Administrative expenses	(30,286)	(4,275)	(34,561)
Profit from operations	35,833	4,940	40,773
Finance costs	–	(6,739)	(6,739)
Share of results of associates	616	–	616
Profit (loss) before taxation	36,449	(1,799)	34,650
Taxation	(7,031)	(2,085)	(9,116)
Profit (loss) for the year	29,418	(3,884)	25,534

At 31 March 2019

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

6. Operating Segments (Cont'd)

Segment information (Cont'd)

For the year ended 31 March 2018

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Gross rental income	81,260	–	81,260
Property expenses	(2,992)	–	(2,992)
Net rental income	78,268	–	78,268
Fair value gain on investment properties	13,592	–	13,592
Realised gain on disposal of AFS financial assets	–	10,364	10,364
Realised gain on disposal of financial assets at FVTPL	–	3,179	3,179
Unrealised loss on revaluation of financial assets at FVTPL	–	(1,029)	(1,029)
Dividend income from equity securities	–	3,507	3,507
Interest income from debt instruments	4	45,596	45,600
Other income, gains and losses, net	4,549	(1,191)	3,358
Administrative expenses	(29,705)	(4,552)	(34,257)
Profit from operations	66,708	55,874	122,582
Finance costs	–	(6,496)	(6,496)
Share of results of associates	3,725	–	3,725
Profit before taxation	70,433	49,378	119,811
Taxation	(7,317)	(2,239)	(9,556)
Profit for the year	63,116	47,139	110,255

At 31 March 2018

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment assets	3,382,313	764,619	4,146,932
Segment liabilities	(59,951)	(351,126)	(411,077)
Net assets	3,322,362	413,493	3,735,855
Other segment information:			
Depreciation and amortisation	2,669	–	2,669
Addition to property, plant and equipment	732	–	732

6. Operating Segments (Cont'd)

Segment information (Cont'd)

Over 90% of 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 revenue arising from rental income of approximately HK$80.3 million (2018: approximately HK$81.3 million) are rental income of approximately HK$7.7 million (2018: approximately HK$8.2 million) attributable to the Group's largest tenant. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2019 and 2018.

7. Interest Income

	2019 **HK$'000**	2018 HK$'000
Interest income from:		
– debt instruments at FVTOCI / AFS financial assets	**36,106**	45,595
– bank deposits	**4,352**	5
	40,458	45,600

8. Other Income, Gains and Losses, net

	2019 **HK$'000**	2018 HK$'000
Management fee income	**3,743**	3,381
Late payment service charges from tenants	**170**	242
Exchange loss, net	**(1,606)**	(1,011)
Others	**292**	746
	2,599	3,358

9. Profit from Operations

	2019 HK$'000	2018 HK$'000
Profit from operations has been arrived at after charging:		
Staff costs (including directors' emoluments (note 11))	**24,597**	23,554
Retirement benefits scheme contributions	**252**	261
Total staff costs	**24,849**	23,815
Auditor's remuneration	**480**	460
Depreciation of property, plant and equipment	**1,943**	2,577
Amortisation of leasehold land	**92**	92
Lease payments under operating leases in respect of rented properties	**1,125**	1,080
Exchange loss, net	**1,606**	1,011
and after crediting:		
Dividend income from investments	**1,204**	3,507
Gross rental income from investment properties	**80,270**	81,260
Less:		
Direct operating expenses from investment properties that generated rental income	**(2,096)**	(2,238)
Direct operating expenses from investment properties that did not generate rental income	**(198)**	(754)
Net rental income	**77,976**	78,268

10. Finance Costs

	2019 HK$'000	2018 HK$'000
Interest expense on bank borrowings	**6,739**	6,496

11. Directors' Emoluments

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 March 2019

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chan Hoi Sow (Note 1)	–	8,795	–	8,795
Chan Yan Tin, Andrew	–	2,512	18	2,530
Chan Yan Wai, Emily	–	1,907	18	1,925
Non-executive director:				
Chan Yan Mei, Mary-ellen	125	–	–	125
Independent non-executive directors:				
Chan Kwok Wai	125	–	–	125
Tse Lai Han, Henry	125	–	–	125
Cheung Chong Wai, Janet	125	–	–	125
	500	13,214	36	13,750

11. Directors' Emoluments (Cont'd)

(a) Directors' emoluments (Cont'd)

For the year ended 31 March 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chan Hoi Sow (Note 1)	–	8,353	–	8,353
Chan Yan Tin, Andrew	–	2,416	18	2,434
Chan Yan Wai, Emily (appointed on 15 June 2017)	–	1,445	14	1,459
Non-executive director:				
Chan Yan Mei, Mary-ellen	120	–	–	120
Independent non-executive directors:				
Chan Kwok Wai	120	–	–	120
Tse Lai Han, Henry	120	–	–	120
Leung Kui King, Donald (resigned on 31 March 2018)	120	–	–	120
Cheung Chong Wai, Janet (appointed on 31 March 2018)	–	–	–	–
	480	12,214	32	12,726

Note:

1. A rent-free accommodation with rateable value of approximately HK$1,034,000 (2018: approximately HK$1,040,000), is provided to Mr. Chan Hoi Sow by the Group.

The executive directors' emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The fees paid to non-executive and independent non-executive directors shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

During the years ended 31 March 2019 and 31 March 2018, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Directors' Emoluments (Cont'd)

(b) Directors' material interests in transactions, arrangement or contracts

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2018: Nil).

(c) Loans, quasi-loans and other dealings in favour of directors

No loans, quasi-loans and other dealings in favour of directors or body corporate controlled by such directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year (2018: Nil).

12. Individuals with Highest Emoluments

The five highest paid employees of the Group during the year included three (2018: three) directors of the Company whose emoluments were included in note 11(a) above. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowance and other benefits in kind	**3,085**	2,881
Retirement benefits scheme contributions	**36**	36
	3,121	2,917

Their emoluments were within the following bands:

	2019	2018
HK$1,000,001 to HK$2,000,000	**2**	2

During the years ended 31 March 2019 and 31 March 2018, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Taxation

	2019 HK$'000	2018 HK$'000
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**7,559**	8,492
Under (over) provision in prior years	**53**	(625)
Other jurisdiction		
Under-provision in prior years	**17**	17
	7,629	7,884
Deferred taxation (note 25)		
Current year	**1,487**	1,393
Under provision in prior years	**–**	279
	1,487	1,672
Total	**9,116**	9,556

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

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

13. Taxation (Cont'd)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**34,650**	119,811
Tax at the Hong Kong Profits Tax rate of 16.5% (2018:16.5%)	**5,717**	19,769
Tax effect of share of results of associates	**(102)**	(615)
Tax effect of expenses not deductible for tax purpose	**8,593**	921
Tax effect of income not taxable for tax purpose	**(5,221)**	(10,153)
Tax effect of tax losses not recognised	**338**	424
Under (over) provision of taxation in respect of prior years	**70**	(329)
Tax concession	**(300)**	(437)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**21**	(24)
Tax charge for the year	**9,116**	9,556

14. Dividends

	2019 HK$'000	2018 HK$'000
Interim, paid – HK2.2 cents (2018: HK2.2 cents) per share	**6,771**	6,771
Final, proposed – HK3.2 cents (2018: HK3.2 cents) per share	**9,848**	9,848
	16,619	16,619

The final dividend of HK3.2 cents (2018: HK3.2 cents) per share has been proposed by the board of directors and is subject to approval by the shareholders of the Company in the annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

15. Earnings Per Share

The calculation of earnings per share is based on the profit for the year attributable to the owners of the Company of approximately HK$25,534,000 (2018: approximately HK$110,255,000) and on the number of 307,758,522 (2018: 307,758,522) ordinary shares in issue during the year.

The Company had no dilutive potential ordinary shares outstanding in both the years ended 31 March 2019 and 2018. Accordingly, diluted earnings per share is the same as basic earnings per share.

16. Investment Properties

	2019	2018
	HK$'000	HK$'000
FAIR VALUE		
At 1 April	**2,968,412**	2,954,578
Fair value (loss) gain recognised in profit or loss	**(15,917)**	13,592
Exchange adjustments	**(207)**	242
At 31 March	**2,952,288**	2,968,412

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	2019	2018
	HK$'000	HK$'000
Properties in Hong Kong		
Medium-term lease	**1,756,400**	1,776,300
Long-term lease	**1,190,600**	1,185,500
	2,947,000	2,961,800
Properties in Canada		
Freehold	**5,288**	6,612
	2,952,288	2,968,412

16. Investment Properties (Cont'd)

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties situated in Hong Kong and Canada has been arrived at on the basis of a valuation of the properties carried out on the year end date by Jones Lang LaSalle Limited and Jones Lang LaSalle Real Estate Services, Inc., respectively, who are independent qualified professional valuers not connected to the Group and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of each investment property is individually determined at the end of each reporting period based on direct comparison method and/or income capitalisation method, as appropriate. The direct comparison method assumes the sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The rental value and capitalisation rate to be adopted for the valuation are derived from an analysis of market transactions.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

16. Investment Properties (Cont'd)

Fair value measurement of the Group's investment properties (Cont'd)

	Fair Value		Fair value hierarchy	Valuation techniques	Significant unobservable inputs and ranges	Relationship of unobservable inputs to fair value
	2019	2018				
	HK$'000	HK$'000				
Investment properties located in Hong Kong	**2,947,000**	2,961,800	Level 3	Combination of direct comparison method and income capitalisation method	Estimated market unit rent per square foot; (saleable area) HK$35-HK$346 (2018: HK$35-HK$284), capitalization rate 2.80%-3.75% (2018: 2.80%-3.75%) and market unit sales price per square foot	The increase/decrease in the market unit rent and/or sales price would result in an increase/decrease in the fair value of the property.
Investment properties located in Canada	**5,288**	6,612	Level 3	Direct comparison method	Estimated market unit sales price per square foot	The increase/decrease in the market unit sales price would result in an increase/decrease in the fair value of the property.

Details of the pledge of assets are set out in note 28 to the consolidated financial statements.

17. Property, Plant and Equipment

	Buildings held under long-term lease in Hong Kong HK$'000	Furniture and office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2017	3,205	5,407	9,056	3,589	21,257
Additions	–	732	–	–	732
At 31 March 2018, 1 April 2018 and 31 March 2019	3,205	6,139	9,056	3,589	21,989
ACCUMULATED DEPRECIATION					
At 1 April 2017	3,138	4,183	3,478	2,245	13,044
Provided for the year	67	964	874	672	2,577
At 31 March 2018 and 1 April 2018	3,205	5,147	4,352	2,917	15,621
Provided for the year	–	396	875	672	1,943
At 31 March 2019	3,205	5,543	5,227	3,589	17,564
CARRYING AMOUNTS					
At 31 March 2019	–	596	3,829	–	4,425
At 31 March 2018	–	992	4,704	672	6,368

18. Leasehold Land

	2019 HK$'000	2018 HK$'000
CARRYING AMOUNTS		
At 1 April	15,014	15,106
Amortisation	(92)	(92)
At 31 March	14,922	15,014
Analysed for reporting purpose as:		
Non-current portion	14,830	14,922
Current portion	92	92
	14,922	15,014

The leasehold land is held under long-term lease and situated in Hong Kong.

19. Interests in Associates

	2019 HK$'000	2018 HK$'000
Share of net assets	360,023	367,807
Amounts due from an associate	13	–
Amounts due to an associate	(4,578)	(4,633)
	355,458	363,174

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

Details of the Group's principal associates at 31 March 2019 are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Win Easy Development Limited	Hong Kong	HK$2	50%	Property investment
Home Easy Limited*	Hong Kong	HK$1	50%	Property investment

* a wholly-owned subsidiary of Win Easy Development Limited

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

19. Interests in Associates (Cont'd)

All of the above associates are accounted for using the equity method in these consolidated financial statements. The financial statements of associates were prepared using accounting policies in conformity with the policies adopted by the Group.

Summarised consolidated financial information in respect of the Group's material associate, Win Easy Development Limited ("Win Easy"), is set out below. The summarised consolidated financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Financial position as at 31 March 2019

	2019 **HK$'000**	2018 HK$'000
Current assets	**5,809**	8,253
Non-current assets (note (i))	**760,599**	752,753
Current liabilities	**(13,879)**	(11,446)
Non-current liabilities	**(32,483)**	(13,946)
Net assets	**720,046**	735,614
Proportion of the Group's ownership interest therein	**50%**	50%
Group's share of net assets of Win Easy	**360,023**	367,807

Note (i): Non-current assets include the investment properties with the carrying amounts of HK$737,500,000 (2018: HK$747,700,000) as at the end of the reporting period.

Profit or loss and other comprehensive income for the year ended 31 March 2019

	2019 **HK$'000**	2018 HK$'000
Revenue	**26,110**	25,588
Profit for the year	**1,231**	7,450
Other comprehensive income	**–**	–
Total comprehensive income for the year	**1,231**	7,450
Share of results of associates comprises:		
Share of profits of associates	**1,723**	4,693
Share of taxation of associates	**(1,107)**	(968)
	616	3,725
Dividend paid by Win Easy during the year	**16,800**	18,000

The Company provided guarantee to secure the banking facilities granted to its associate.

20. Financial Assets

	2019	2018
	HK$'000	HK$'000
Non-current:		
Debt instruments at FVTOCI		
– Listed debt securities (note)	**443,419**	–
Financial assets at FVTPL		
– Unlisted club debenture	**430**	–
AFS financial assets		
– Listed debt and equity securities	–	604,283
– Unlisted club debenture	–	156
	–	604,439
	443,849	604,439
Current:		
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	**2,970**	4,301
– Listed equity securities in overseas	**4,284**	2,772
– Listed investment funds	–	15,040
	7,254	22,113
AFS financial assets		
– Listed debt and equity securities	–	80,761
	7,254	102,874

Note:

Financial assets at FVTOCI include debt securities held by the Group and which are listed in recognised stock exchange in Hong Kong and overseas, the issuers of which include those that are engaged in, among others, the aviation, banking and real estate businesses. Such debt securities' maturity dates vary from 2020 to 2049 and include those that are perpetual.

As of 31 March 2019, such financial assets at FVTOCI constitute approximately 10.89% of the total assets of the Group and no single debt security constituting such financial assets at FVTOCI have an outstanding amount representing over 5% of the Group's total assets.

21. Trade and Other Receivables

	2019 HK$'000	2018 HK$'000
Trade receivables – rental receivables	423	436
Other receivables		
Interest receivables	8,986	11,992
Utilities deposits	1,672	1,738
Prepayments	968	849
Management fee receivables from associates	838	856
Others (note (i))	648	866
	13,535	16,737

Note (i): The balance include amounts due from associates of approximately HK$587,000 as at 31 March 2019 (2018: approximately HK$566,000).

Included in trade receivables are rental receivables with defined credit policy. Rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

The following is an aging analysis of rental receivables presented based on the due date on debit note.

	2019 HK$'000	2018 HK$'000
31-60 days	383	436
61-90 days	20	–
Over 90 days	20	–
	423	436

21. Trade and Other Receivables (Cont'd)

Aging of trade receivables which are past due but not impaired.

	2019 HK$'000	2018 HK$'000
31-60 days	**383**	436
61-90 days	**20**	–
Over 90 days	**20**	–
	423	436

Based on historical and forward looking elements of the Group, it is determined that no impairment allowance is necessary in respect of past due balances as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

22. Pledged Bank Deposits and Bank Balances and Cash

	2019 HK$'000	2018 HK$'000
Pledged bank deposits	**149,600**	1,292
Bank balances and cash	**128,208**	63,339

Pledged bank deposits represent deposits pledged to a bank to secure loan facilities granted to the Group.

Pledged bank deposits and bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate ranging from 0.01% to 3.08% per annum (2018: 0.01% per annum) with an original maturity of three months or less.

23. Other Payables and Receipts in Advance

	2019 HK$'000	2018 HK$'000
Contract liabilities – receipts in advance in relation to rental income (note (i))	**5,216**	–
Receipts in advance	–	3,803
Other payables		
Accrued interests	**319**	388
Dividend payable	**602**	507
Accrued expenses	**2,813**	2,377
Others	**1,008**	836
Total	**9,958**	7,911

Notes: (i) The Group has initially applies HKFRS 15 using the cumulative effect method and adjusted the opening balance as at 1 April 2018.

(ii) Upon the adoption of HKFRS 15, amount previously included in "Receipts in advance" were reclassified to "Contract liabilities".

The balance of contract liabilities as at 1 April 2018 of approximately HK$3,803,000 was recognised as revenue during the year.

24. Secured Bank Borrowings

	2019 HK$'000	2018 HK$'000
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	**11,808**	82,405
More than one year but not exceeding two years	**12,132**	12,613
More than two years but not exceeding five years	**38,210**	39,223
More than five years	**206,158**	215,778
	268,308	350,019
Less: Amounts due within one year shown under current liabilities	**11,808**	82,405
Amount due after one year	**256,500**	267,614

All of the bank loans were denominated in Hong Kong dollars with interest rates ranging from 1.1% to 1.35% (2018: 1.2% to 1.35%) over HIBOR per annum.

At the end of the reporting period, the Group's banking facilities amounting to approximately HK$1,128,308,000 (2018: HK$1,000,019,000) were supported by (i) guarantee provided by the Company; (ii) certain investment properties of subsidiaries; (iii) certain available-for-sale financial assets of subsidiaries; and (iv) certain pledged bank deposits of subsidiaries. Details of the assets pledged are disclosed in note 28 to the consolidated financial statements.

During the year ended 31 March 2019, the Company has raised and repaid bank borrowings of approximately HK$190,000,000 and approximately HK$271,711,000 (2018: HK$1,431,109,000 and HK$1,291,090,000) respectively.

25. Deferred Taxation

The following is the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax allowance on investment properties	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	(131)	25,164	(279)	24,754
Charge (credit) for the year (note 13)	(297)	1,690	–	1,393
Under-provision in prior years (note 13)	–	–	279	279
At 31 March 2018 and 1 April 2018	(428)	26,854	–	26,426
Charge (credit) for the year (note 13)	(203)	1,690	–	1,487
At 31 March 2019	**(631)**	**28,544**	**–**	**27,913**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**36**	–
Deferred tax liabilities	**(27,949)**	(26,426)
	(27,913)	(26,426)

With regard to the Group's investment properties, as none of them is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the Group's investment property in Canada, the deferred tax on changes in fair value of investment property is recognised taking into account the tax payable upon sale of this investment property in Canada.

At the end of the reporting period, the Group has unused tax losses of approximately HK$6,447,000 (2018: approximately HK$4,400,000) available for offset against future profits. Certain deferred tax assets on tax losses had not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

26. Share Capital

	2019		2018	
	Number of ordinary shares	**Nominal value HK$'000**	Number of ordinary shares	Nominal value HK$'000
Issued and fully paid	**307,758,522**	**229,386**	307,758,522	229,386

There were no movements in the share capital of the Company for the year ended 31 March 2019. None of the Company's subsidiaries had repurchased, sold or redeemed any of the Company's shares during the year.

27. Pensions Scheme

The Group operates MPF Scheme for all existing staff members of the Group.

The MPF Scheme is a defined contribution scheme and the assets of the scheme are managed by independent trustees.

The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's monthly relevant income. The maximum relevant income for contribution purpose is HK$30,000 per month.

Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF Scheme charged to profit or loss for the year ended 31 March 2019 in respect of MPF scheme amounted to HK$252,000 (2018: HK$261,000).

28. Pledge of Assets

At the end of the reporting period, the Group's banking facilities amounted to approximately HK$1,128,308,000 (2018: HK$1,000,019,000).

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

i) Investment properties with carrying amounts of approximately HK$1,099,700,000 (2018: approximately HK$1,159,000,000);

ii) Debt instruments at FVTOCI with carrying amounts of approximately HK$391,527,000 (2018: AFS financial assets of approximately HK$661,003,000); and

iii) Bank deposits with carrying amounts of approximately HK$149,600,000 (2018: HK$1,292,000).

At the end of the reporting period, the Group has utilised loan facilities from bank with an amount of approximately HK$268,308,000 (2018: HK$350,019,000).

29. Operating Lease Arrangements

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**1,140**	270
In the second to fifth year inclusive	**285**	–
	1,425	270

Operating lease payments represent rental payables by the Group for its director's quarters. Leases are fixed for two years.

The Group as lessor

The investment properties of the Group are expected to generate average rental yields of approximately 2.72% (2018: approximately 2.74%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (2018: four years).

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

	2019 HK$'000	2018 HK$'000
Within one year	**55,704**	55,083
In the second to fifth year inclusive	**27,644**	19,019
	83,348	74,102

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

30. Related Party Transactions

In addition to transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with the associates of the Group during the year. The transaction prices were considered by the directors of the Company as estimated market price.

	2019 HK$'000	2018 HK$'000
Received from Win Easy Development Limited:		
Management fee income	**3,465**	3,142
Dividend income	**8,400**	9,000
Received from Home Easy Limited:		
Management fee income	**278**	239

The directors of the Group considered that they are the key management personnel of the Group and their remunerations are set out in note 11(a) to the consolidated financial statements.

31. Financial Instruments

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Debt instruments at FVTOCI	**443,419**	–
AFS financial assets	–	685,200
Financial assets at FVTPL	**7,684**	22,113
Financial assets at amortised cost/loans and receivables		
– Financial assets included in trade and other receivables	**12,567**	15,888
– Pledged bank deposits	**149,600**	1,292
– Bank balances and cash	**128,208**	63,339
	741,478	787,832
Financial liabilities, at amortised cost		
Financial liabilities included in other payables and receipts in advance	**4,742**	4,108
Deposits received from tenants	**24,743**	23,921
Secured bank borrowings	**268,308**	350,019
	297,793	378,048

31. Financial Instruments (Cont'd)

(b) Foreign risk management objectives and policies

The Group's major financial instruments include debt instruments at FVTOCI, financial assets at FVTPL, financial assets included in trade and other receivables, pledged bank deposits, bank balances and cash, financial liabilities included in other payables and receipts in advance, deposits received from tenants and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

One subsidiary of the Company has foreign currency assets and income which exposes the Group to foreign currency risk. Certain other receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2019 HK$'000	**Liabilities 2019 HK$'000**	Assets 2018 HK$'000	Liabilities 2018 HK$'000
Renminbi ("RMB")	**14,372**	–	160,856	–
Canadian dollar ("CAD")	**232**	**36**	295	30
United States dollars ("USD")	**483,449**	–	551,794	–

Sensitivity analysis

The following table shows the effect on the profit/loss for the year with a 5% increase/decrease in the exchange rate of RMB, CAD and USD against Hong Kong dollars:

	2019 HK$'000	2018 HK$'000
Renminbi ("RMB")	**719**	8,043
Canadian dollar ("CAD")	**10**	13
United States dollars ("USD")	**24,172**	27,590

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

31. Financial Instruments (Cont'd)

(b) Foreign risk management objectives and policies (Cont'd)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

2019

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Financial liabilities included in other payables and receipts in advance	**4,742**	**–**	**–**	**–**	**–**	**4,742**	**4,742**
Deposits received from tenants	**656**	**11,752**	**8,504**	**3,831**	**–**	**24,743**	**24,743**
Secured bank borrowings	**–**	**18,375**	**18,375**	**55,126**	**242,062**	**333,938**	**268,308**
	5,398	**30,127**	**26,879**	**58,957**	**242,062**	**363,423**	**297,793**

2018

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Financial liabilities included in other payables and receipts in advance	4,108	–	–	–	–	4,108	4,108
Deposits received from tenants	49	11,268	9,206	3,398	–	23,921	23,921
Secured bank borrowings	70,000	17,181	17,181	51,544	243,516	399,422	350,019
	74,157	28,449	26,387	54,942	243,516	427,451	378,048

31. Financial Instruments (Cont'd)

(b) Foreign risk management objectives and policies (Cont'd)

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's fixed deposits and bank balances are deposited with banks of high quality in Hong Kong and overseas.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group's treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction.

In order to minimise the credit risk from counterparties other than financial institution, the Group also monitors potential exposures to each counterparty. Management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that prompt follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

When making decisions on investments in debt securities, the management of the Group has made reference to the credit ratings of the issuers and assessed their financials. The Group reviews the credit and performance of the issuers periodically to monitor the credit risk on debt securities.

Interest rate risk management

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalent and secured bank borrowings. The Group has certain variable interest-bearing assets and liabilities including cash and cash equivalent and secured bank borrowings. Cash and cash equivalent and secured bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing position, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

31. Financial Instruments (Cont'd)

(b) Foreign risk management objectives and policies (Cont'd)

Interest rate risk management (Cont'd)

Sensitivity analysis

The sensitivity analysis below, which includes interest rate exposure on variable interest-bearing bank deposits and secured bank borrowings, has been determined based on the exposure to interest rates for non-derivative instrument at the end of the reporting period. A 100 basis-points increase or decrease is used, which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis-points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2019 would decrease/increase by approximately HK$2,023,000 (2018: profit for the year would decrease/increase by approximately HK$2,854,000).

Market price risk management

The Group's market price risk is primarily attributable to debt instruments at FVTOCI (2018: AFS financial assets) and financial assets at FVTPL which were stated at their fair values at the end of the reporting period. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

As at 31 March 2019, carrying values of debt instruments at FVTOCI and financial assets at FVTPL which were stated at their fair values amounted to approximately HK$443,419,000 and approximately HK$7,684,000 respectively. For sensitivity analysis purpose, a 15% change in the fair value of corresponding financial instruments would result in the movement in investments revaluation reserve of approximately HK$66,513,000 and changes in results for the year of approximately HK$1,153,000 respectively.

As at 31 March 2018, carrying values of AFS financial assets and financial assets at FVTPL which were stated at their fair values amounted to approximately HK$685,044,000 and approximately HK$22,113,000 respectively. For sensitivity analysis purpose, a 15% change in the fair value of corresponding financial instruments would result in the movement in investments revaluation reserve of approximately HK$102,757,000 and changes in results for the year of approximately HK$3,317,000 respectively.

31. Financial Instruments (Cont'd)

(c) Fair values measurement of financial instruments

Fair value of the Group's financial instruments measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table 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 (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement are observable.

	Fair value as at		**Fair value hierarchy**	**Valuation technique and key input**
	31 March 2019	31 March 2018		
	HK$'000	HK$'000		
Financial assets at FVTOCI				
– Listed debt securities	**443,419**	–	Level 1	Quoted bid prices in active markets
AFS financial assets				
– Listed debt securities	–	641,737	Level 1	Quoted bid prices in active markets
– Listed equity securities	–	43,307	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL				
– Listed equity securities	**7,254**	22,113	Level 1	Quoted bid prices in active markets
– Unlisted club debenture	**430**	–	Level 2	Market approach

The fair values of listed equity and debt securities classified as Level 1 were determined by quoted market prices in active markets.

There were no transfers between Levels 1, 2 and 3 in the current year.

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

32. Capital Risk Management

The management's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

As at 31 March 2019, the Group's strategy remained unchanged as compared to 31 March 2018. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing (net of bank balances and cash and pledged bank deposits) divided by total equity.

Gearing ratio of the Group at the year end date is as follows:

	2019	2018
	HK$'000	HK$'000
Secured bank borrowings, net of bank balance and cash and pledged bank deposits	**N/A**	285,388
Total equity	**N/A**	3,735,855
Total debts to total equity ratio	**N/A**	7.64%

No gearing ratio is disclosed as at 31 March 2019 since the Group did not have net debt as at 31 March 2019.

33. Principal Subsidiaries

Details of the Company's wholly owned principal subsidiaries at 31 March 2019 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Funswin Investment Limited	Hong Kong	HK$2	Securities investment
Grademark Limited	Hong Kong	HK$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK$2	Property investment
High Spark Properties Limited	Hong Kong	HK$20	Property investment
Kimberly Investment Limited	Hong Kong	HK$2	Property investment
Kingunit Company Limited	Hong Kong	HK$2	Property investment
Longo Investment Company Limited	Hong Kong	HK$2	Property investment
Pomeroy Company Limited	Hong Kong	HK$2	Property investment
Spark View Limited	Hong Kong	HK$20	Property investment
Strongfort Company Limited	Hong Kong	HK$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK$2	Property investment
Tech Target Investment Limited	Hong Kong	HK$1	Securities investment
Tern Management Limited	Hong Kong	HK$10,000	Property management
Tern Treasury Limited	Hong Kong	HK$10,000	Treasury management
Zepersing Limited	Hong Kong	HK$2	Property investment
Elite Top Investment Limited	Hong Kong	HK$10,000	Securities investment

All subsidiaries except for Zepersing Limited, are directly owned by the Company.

34. Statement of Financial Position of the Company

At 31 March 2019

	2019 HK$'000	2018 HK$'000
Non-current assets		
Interests in subsidiaries (note a)	**861,169**	846,923
Interests in associates	**–**	–
Property, plant and equipment	**509**	655
	861,678	847,578
Current assets		
Trade and other receivables	**3,331**	4,825
Amount due from associates	**13**	–
Bank balances and cash	**13,222**	19,294
	16,566	24,119
Current liabilities		
Other payables	**700**	580
Amounts due to associates	**4,578**	4,638
	5,278	5,218
Net current assets	**11,288**	18,901
Total assets less current liabilities	**872,966**	866,479
Non-current liability		
Amounts due to subsidiaries (note a)	**6,672**	9,754
Net assets	**866,294**	856,725
Capital and reserve		
Share capital	**229,386**	229,386
Reserves	**636,908**	627,339
	866,294	856,725

The Company's statement of financial position was approved and authorised for issue by the board of directors on 26 June 2019 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Yan Tin, Andrew
Director

34. Statement of Financial Position of the Company (Cont'd)

Note a: Interests in subsidiaries

	2019 HK$'000	2018 HK$'000
Unlisted shares, at cost	**44,666**	44,666
Amounts due from subsidiaries	**826,967**	812,721
	871,633	857,387
Provision for impairment	**(10,464)**	(10,464)
	861,169	846,923
Amounts due to subsidiaries	**6,672**	9,754

The amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed term of repayment.

35. Reserves of the Company

	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	9,848	556,426	566,274
Profit and total comprehensive income for the year	–	77,684	77,684
Dividends declared	16,619	(16,619)	–
Dividends paid	(16,619)	–	(16,619)
At 31 March 2018 and 1 April 2018	9,848	617,491	627,339
Profit and total comprehensive income for the year	–	26,188	26,188
Dividends declared	16,619	(16,619)	–
Dividends paid	(16,619)	–	(16,619)
At 31 March 2019	**9,848**	**627,060**	**636,908**

36. Events after the Reporting Period

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

37. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Five-year Group Financial Summary

Results

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**80,270**	81,260	97,273	104,841	99,480
Profit (loss) for the year attributable to owners of the Company	**25,534**	110,255	(29,312)	(58,072)	266,743
Basic earnings (loss) per share (HK cents)	**8.30**	35.83	(9.52)	(18.87)	86.67

Assets and Liabilities

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,072,309**	4,146,932	3,923,625	3,744,877	3,963,527
Total liabilities	**332,392**	411,077	278,968	64,560	211,593
Total equity attributable to owners of the Company	**3,739,917**	3,735,855	3,644,657	3,680,317	3,751,934

Particulars of Major Properties

Details of properties held by the Group at 31 March 2019 are as follows:

1. Leasehold Land and Buildings

Location	Use	Category of lease	Group's interest
Hong Kong			
1. The whole of 26th, 27th and 28th floors, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Office	Long-term	100%
2. Flat 59 on 15th floor, Tower 9 and car parking spaces nos. 66 and 67 on car park entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Director's quarters	Long-term	100%

2. Investment Properties

Location	Use	Category of lease	Group's interest
Hong Kong			
1. Shops no. G15, G16, G17 and G21 on ground floor and shops no. 8, 9A and 11A on 1st floor, site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2. Duplex shop F on ground floor and 1st floor, Burlington House, 90-94C Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
3. Shops no. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
4. Shop no. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
5. Shop no. 5 on ground floor, Lee Fat Building, 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	Commercial	Long-term	100%

Particulars of Major Properties

2. Investment Properties (Cont'd)

Location	Use	Category of lease	Group's interest
Hong Kong			
6. The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
7. The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
8. The whole of ground floor, 1st, 2nd, 3rd, 5th, 6th, 12th and 20th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9. The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
10. The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
11. The whole of 11th, 16th and 18th floors, Unit 2 and Unit 3 of 13th floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
12. Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong	Carpark	Long-term	100%
13. Shops no. 1, 2 and 6 on ground floor and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
14. The whole of 9th floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

Location	Use	Category of lease	Group's interest
Canada			
1. Suite no. 2406 with one carpark, Point Claire, 1238 Melville Street Vancouver, British Columbia	Residential	Freehold	100%