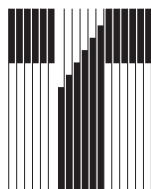


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## TERN PROPERTIES COMPANY LIMITED

### 太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	<b>Audited 2019 HK\$'000</b>	<b>Audited 2018 HK\$'000</b>
Turnover	3	<b>80,270</b>	81,260
Property expenses		<b>(2,294)</b>	(2,992)
Gross profit		<b>77,976</b>	78,268
Fair value (loss) gain on investment properties		<b>(15,917)</b>	13,592
Realised loss on disposal of debt instruments at fair value through other comprehensive income		<b>(29,637)</b>	–
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		<b>(1,303)</b>	3,179
Unrealised loss on revaluation of financial assets at fair value through profit or loss		<b>(46)</b>	(1,029)
Dividend income		<b>1,204</b>	3,507
Interest income		<b>40,458</b>	45,600
Other income, gains and losses, net	5	<b>2,599</b>	3,358
Administrative expenses		<b>(34,561)</b>	(34,257)

	<i>Notes</i>	<b>Audited 2019 HK\$'000</b>	Audited 2018 HK\$'000
<b>Profit from operations</b>	6	40,773	122,582
Finance costs	7	(6,739)	(6,496)
Share of results of associates		<u>616</u>	<u>3,725</u>
<b>Profit before taxation</b>		<b>34,650</b>	119,811
Taxation	8	<u>(9,116)</u>	<u>(9,556)</u>
<b>Profit for the year attributable to owners of the Company</b>		<b><u>25,534</u></b>	<b><u>110,255</u></b>
<b>Other comprehensive income (expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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		<u>–</u>	<u>(8,312)</u>
<b>Other comprehensive expense for the year, net of tax</b>		<b><u>(5,127)</u></b>	<b><u>(2,438)</u></b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b><u>20,407</u></b>	<b><u>107,817</u></b>
<b>Earnings per share</b>			
Basic and diluted	10	<b><u>HK8.30 cents</u></b>	<b><u>HK35.83 cents</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2019**

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

	<b>Audited 2019 HK\$'000</b>	<b>Audited 2018 HK\$'000</b>
<b>Net current assets</b>	<u>265,508</u>	<u>85,053</u>
<b>Total assets less current liabilities</b>	<u>4,036,701</u>	<u>4,042,499</u>
<b>Non-current liabilities</b>		
Deposits received from tenants	12,335	12,604
Deferred tax liabilities	27,949	26,426
Secured bank borrowings – due after one year	<u>256,500</u>	<u>267,614</u>
	<u>296,784</u>	<u>306,644</u>
<b>Net assets</b>	<u><u>3,739,917</u></u>	<u><u>3,735,855</u></u>
<b>Capital and reserves</b>		
Share capital	229,386	229,386
Reserves	<u>3,510,531</u>	<u>3,506,469</u>
<b>Total equity</b>	<u><u>3,739,917</u></u>	<u><u>3,735,855</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	229,386	17,346	9,848	3,388,077	3,644,657
Profit for the year	–	–	–	110,255	110,255
<i>Other comprehensive income (expense):</i>					
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 ( <i>note 9</i> )	–	–	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 ( <i>note 2</i> )	–	–	–	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
<i>Other comprehensive income (expense):</i>					
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 ( <i>note 9</i> )	–	–	16,619	(16,619)	–
Dividends paid	–	–	(16,619)	–	(16,619)
<b>At 31 March 2019</b>	<b>229,386</b>	<b>9,781</b>	<b>9,848</b>	<b>3,490,902</b>	<b>3,739,917</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Operating activities</b>		
Profit for the year	25,534	110,255
Adjustments for:		
Share of results of associates	(616)	(3,725)
Interest income	(40,458)	(45,600)
Dividend income	(1,204)	(3,507)
Interest expenses	6,739	6,496
Tax expenses	9,116	9,556
Fair value loss (gain) on investment properties	15,917	(13,592)
Depreciation of property, plant and equipment	1,943	2,577
Amortisation of leasehold land	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	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
<b>Net cash from operating activities</b>	<b>44,950</b>	<b>31,003</b>

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

## NOTES:

### 1. GENERAL AND BASIS OF PREPARATION

#### (a) General information

The financial information relating to the years ended 31 March 2019 and 2018 included in the annual results for the year ended 31 March 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follow:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2019 in due course.

The Company's auditor has audited on those financial statements of the Group for both years. The auditor's report were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

#### (b) Basis of preparation

The financial information presented above and notes thereto are extracted from the Group's consolidated financial statements and presented in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board is responsible for the preparation of the Group's consolidated financial statements. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. 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.

The consolidated financial statements have been prepared on a going concern basis.



## 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.

### **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.

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 financial performance and position 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.

## 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 retained 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 and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

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

**(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.

**New and amendments to HKFRSs in issue but not yet effective**

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> 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

<sup>5</sup> 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.

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 approximately HK\$1,425,000. 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. TURNOVER

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Property rental income	<b>80,270</b>	81,260

### 4. 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 portfolio 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.

#### Segment information

##### For the year ended 31 March 2019

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

**At 31 March 2019**

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

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	<u>63,116</u>	<u>47,139</u>	<u>110,255</u>

At 31 March 2018

Segment assets	3,382,313	764,619	4,146,932
Segment liabilities	(59,951)	(351,126)	(411,077)
Net assets	<u>3,322,362</u>	<u>413,493</u>	<u>3,735,855</u>
Other segment information: Depreciation and amortisation	2,669	–	2,669
Addition to property, plant and equipment	<u>732</u>	<u>–</u>	<u>732</u>

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.

### 5. OTHER INCOME, GAINS AND LOSSES, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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
	<u>2,599</u>	<u>3,358</u>

### 6. PROFIT FROM OPERATIONS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs (including directors' emoluments)	24,597	23,554
Retirement benefit scheme contributions	252	261
	<u>24,849</u>	<u>23,815</u>
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	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)
	<u>77,976</u>	<u>78,268</u>
Net rental income	<u>77,976</u>	<u>78,268</u>

## 7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expense on bank borrowings	<u>6,739</u>	<u>6,496</u>

## 8. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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	<u>17</u>	<u>17</u>
	<u>7,629</u>	<u>7,884</u>
Deferred taxation		
Current year	1,487	1,393
Under provision in prior years	<u>-</u>	<u>279</u>
	<u>1,487</u>	<u>1,672</u>
	<u>9,116</u>	<u>9,556</u>

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.



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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation	<u>34,650</u>	<u>119,811</u>
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	<u>21</u>	<u>(24)</u>
Tax charge for the year	<u><b>9,116</b></u>	<u>9,556</u>

## 9. DIVIDENDS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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	<u>9,848</u>	<u>9,848</u>
	<u><b>16,619</b></u>	<u>16,619</u>

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.

## 10. 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.

## 11. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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 ( <i>note (i)</i> )	648	866
	<u>13,535</u>	<u>16,737</u>

*Note (i):* Included in other receivables, balance of approximately HK\$587,000 is amounts due from associates.

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 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
31-60 days	383	436
61-90 days	20	–
Over 90 days	20	–
	<u>423</u>	<u>436</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
31-60 days	383	436
61-90 days	20	–
Over 90 days	20	–
	<u>423</u>	<u>436</u>

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.

## 12. OTHER PAYABLES AND RECEIPTS IN ADVANCE

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

*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 “Receipt 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.

## 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 OF 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.

## **FUTURE PROSPECTS**

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.

## **FINANCIAL REVIEW**

### **Financial Results**

#### ***Revenue***

The revenue derived from the investment in properties of the Group 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 investment 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 securities.

#### ***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 HK\$29.6 million arose from the disposal of certain of the Group's investments in debt instruments; 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 approximately 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\$1,640.8 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).

## **CAPITAL COMMITMENTS**

As at 31 March 2019, the Group did not have any capital commitments.

## **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 shareholders' funds was remained at same level as last year.

## **RISK MANAGEMENT**

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk prevailing inside the organisation and the external environment with active management participation and effective internal control procedures for the best interest of the Group and its shareholders.

## **EMPLOYEES**

At 31 March 2019, the total number of staff of the Group was 18 (2018: 19). The total staff costs including Directors' remuneration 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

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

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions 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 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 code provision A.2.1 of the Code. Please refer to the Company's interim report for the six months ended 30 September 2018 for reasons of the deviation.

## **REVIEW OF ACCOUNTS BY AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's audited annual accounts and annual results for the year ended 31 March 2019 with the Directors.

## **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 announcement, 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 Grant Fort Investments Limited ("Grant 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.

## **SCOPE OF WORK OF MESSRS. HLM CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLM CPA Limited on the Preliminary Announcement.

By order of the Board  
**Chan Hoi Sow**  
*Chairman*

Hong Kong, 26 June 2019

*As at the date of this announcement, the Board of Directors of the Company comprises seven Directors, of which three are Executive Directors, namely Mr. CHAN Hoi Sow, Mr. CHAN Yan Tin, Andrew and Ms. CHAN Yan Wai, Emily, one is Non-Executive Director, namely Ms. CHAN Yan Mei, Mary-ellen and three are Independent Non-Executive Directors, namely Mr. CHAN Kwok Wai, Mr. TSE Lai Han, Henry and Ms. CHEUNG Chong Wai, Janet.*