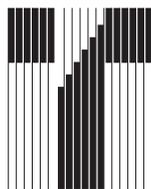


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TERN PROPERTIES COMPANY LIMITED

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 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Turnover	3	73,120	80,270
Property expenses		<u>(1,332)</u>	<u>(2,294)</u>
Gross profit		71,788	77,976
Fair value loss on investment properties		(543,039)	(15,917)
Realised gain (loss) on derecognition of debt instruments at fair value through other comprehensive income		4,899	(29,637)
Realised gain (loss) on disposal of financial assets at fair value through profit or loss		659	(1,303)
Unrealised loss on revaluation of financial assets at fair value through profit or loss		(8,338)	(46)
Dividend income		768	1,204
Interest income		40,537	40,458
Other income, gains and losses, net	5	3,732	2,599
Administrative expenses		<u>(36,341)</u>	<u>(34,561)</u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
(Loss) profit from operations	6	(465,335)	40,773
Finance costs	7	(6,812)	(6,739)
Share of results of associates		<u>(51,918)</u>	<u>616</u>
(Loss) profit before taxation		(524,065)	34,650
Taxation	8	<u>(7,143)</u>	<u>(9,116)</u>
(Loss) profit for the year attributable to owners of the Company		<u>(531,208)</u>	<u>25,534</u>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net (loss) gain arising on revaluation of debt instruments at fair value through other comprehensive income		(70,185)	6,856
Release of investment revaluation reserve upon derecognition of debt instruments at fair value through other comprehensive income		<u>(5,327)</u>	<u>(11,983)</u>
Other comprehensive expense for the year, net of tax		<u>(75,512)</u>	<u>(5,127)</u>
Total comprehensive (expense) income for the year attributable to owners of the Company		<u><u>(606,720)</u></u>	<u><u>20,407</u></u>
(Loss) earnings per share			
Basic and diluted	10	<u><u>(HK\$1.85)</u></u>	<u><u>HK\$0.08</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 March 2020*

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Investment properties		2,408,988	2,952,288
Property, plant and equipment		4,066	4,425
Leasehold land		–	14,830
Right-of-use assets		15,110	–
Interests in associates		298,622	355,458
Debt instruments at fair value through other comprehensive income		491,874	443,419
Financial assets at fair value through profit or loss		430	430
Deferred rental income		271	307
Deferred tax assets		62	36
		<u>3,219,423</u>	<u>3,771,193</u>
Current assets			
Trade and other receivables	<i>11</i>	15,349	13,535
Debt instruments at fair value through other comprehensive income redeemable within one year		18,390	–
Financial assets at fair value through profit or loss		51,275	7,254
Leasehold land – current portion		–	92
Deferred rental income – current portion		563	463
Tax recoverable		2,972	1,964
Pledged bank deposits		5,998	149,600
Bank balances and cash		16,119	128,208
		<u>110,666</u>	<u>301,116</u>
Current liabilities			
Other payables and receipts in advance	<i>12</i>	6,576	9,958
Deposits received from tenants		11,838	12,408
Tax payable		103	1,434
Lease liabilities		284	–
Secured bank borrowings – due within one year		62,263	11,808
		<u>81,064</u>	<u>35,608</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net current assets	<u>29,602</u>	<u>265,508</u>
Total assets less current liabilities	<u>3,249,025</u>	<u>4,036,701</u>
Non-current liabilities		
Deposits received from tenants	11,655	12,335
Deferred tax liabilities	29,679	27,949
Secured bank borrowings – due after one year	<u>244,191</u>	<u>256,500</u>
	<u>285,525</u>	<u>296,784</u>
Net assets	<u><u>2,963,500</u></u>	<u><u>3,739,917</u></u>
Capital and reserves		
Share capital	229,386	229,386
Reserves	<u>2,734,114</u>	<u>3,510,531</u>
Total equity	<u><u>2,963,500</u></u>	<u><u>3,739,917</u></u>

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

(a) General information

The financial information relating to the years ended 31 March 2020 and 2019 included in the annual results for the year ended 31 March 2020 does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2019 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 consolidated financial statements for the year ended 31 March 2020 in due course.

The Company's auditor has reported on those consolidated financial statements of the Group. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its 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 convention 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed as “right-of-use assets”.

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

(1) *Measurement of lease liabilities*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 2.5% p.a.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	1,425
Less: future interest expense	<u>(23)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and lease liabilities as at 1 April 2019	<u><u>1,402</u></u>
Analysed as	
Current	1,118
Non-current	<u><u>284</u></u>

(2) *Measurement of right-of-use assets*

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019. The carrying amount of right-of-use assets for own use relating to operating leases recognised upon application of HKFRS 16 is approximately HK\$1,402,000.

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<i>Note</i>	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		1,402
Reclassified from leasehold land	(a)	<u>14,922</u>
		<u><u>16,324</u></u>
By class:		
Leasehold land		14,922
Leased property		<u>1,402</u>
		<u><u>16,324</u></u>

Note:

- (a) Upfront payments for leasehold lands in the Hong Kong were classified as leasehold land as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of leasehold land amounting to approximately HK\$92,000 and approximately HK\$14,830,000, respectively, were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective from 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under other payables and rental deposits received. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

The application of HKFRS 16 has had no significant impact on the amounts reported and/or disclosures set out in these consolidated financial statements.

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 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
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 ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concession ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² 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.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of above new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. TURNOVER

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

	2020	2019
	HK\$'000	HK\$'000
Property rental income	73,120	80,270

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 loss on investment properties and share of results of associates. Individual properties with similar economic characteristics are aggregated into segments for presentation purposes.

For treasury investment, the segment represents the investments in debt and equity securities. Financial information is provided to the Board on a company-by-company basis. Information provided includes realised gain (loss) on disposal of financial assets at fair value through profit or loss ("FVTPL"), realised gain (loss) on derecognition of debt instruments at fair value through other comprehensive income ("FVTOCI"), 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 2020

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross rental income	73,120	–	73,120
Property expenses	(1,332)	–	(1,332)
Net rental income	71,788	–	71,788
Fair value loss on investment properties	(543,039)	–	(543,039)
Realised gain on derecognition of debt instruments at FVTOCI	–	4,899	4,899
Realised gain on disposal of financial assets at FVTPL	–	659	659
Unrealised loss on revaluation of financial assets at FVTPL	–	(8,338)	(8,338)
Dividend income from equity securities	–	768	768
Interest income	1,386	39,151	40,537
Other income, gains and losses, net	8,727	(4,995)	3,732
Administrative expenses	(31,980)	(4,361)	(36,341)
Profit (loss) from operations	(493,118)	27,783	(465,335)
Finance costs	(22)	(6,790)	(6,812)
Share of results of associates	(51,918)	–	(51,918)
Profit (loss) before taxation	(545,058)	20,993	(524,065)
Taxation	(5,169)	(1,974)	(7,143)
Profit (loss) for the year	<u>(550,227)</u>	<u>19,019</u>	<u>(531,208)</u>

At 31 March 2020

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,748,777	581,312	3,330,089
Segment liabilities	(59,693)	(306,896)	(366,589)
Net assets	<u>2,689,084</u>	<u>274,416</u>	<u>2,963,500</u>
Other segment information:			
Depreciation and amortisation	2,388	–	2,388
Addition to property, plant and equipment	<u>815</u>	<u>–</u>	<u>815</u>

For the year ended 31 March 2019

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 derecognition 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	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	<u>29,418</u>	<u>(3,884)</u>	<u>25,534</u>

At 31 March 2019

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	3,344,146	728,163	4,072,309
Segment liabilities	<u>(70,124)</u>	<u>(262,268)</u>	<u>(332,392)</u>
Net assets	<u><u>3,274,022</u></u>	<u><u>465,895</u></u>	<u><u>3,739,917</u></u>
Other segment information:			
Depreciation and amortisation	<u><u>2,035</u></u>	<u><u>–</u></u>	<u><u>2,035</u></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\$73.1 million (2019: approximately HK\$80.3 million) are rental income of approximately HK\$7.0 million (2019: approximately HK\$7.7 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 2020 and 2019.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Management fee income	4,053	3,743
Late payment service charges from tenants	251	170
Exchange losses, net	(2,722)	(1,606)
Others	<u>2,150</u>	<u>292</u>
	<u><u>3,732</u></u>	<u><u>2,599</u></u>

6. (LOSS) PROFIT FROM OPERATIONS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging:		
Staff costs (including directors' emoluments)	25,768	24,597
Retirement benefits scheme contributions	253	252
	<hr/>	<hr/>
Total staff costs	26,021	24,849
Auditor's remuneration	486	480
Depreciation of property, plant and equipment	1,174	1,943
Amortisation of leasehold land	–	92
Depreciation of right-of-use assets	1,214	–
Exchange losses, net	2,722	1,606
Provision for allowance for credit loss	244	–
and after crediting:		
Dividend income from investments	768	1,204
Gain on disposal of property, plant and equipment	2	–
Write-back of other payable	1,523	–
Gross rental income from investment properties	73,120	80,270
Less:		
Direct operating expenses from investment properties that generated rental income	(545)	(2,096)
Direct operating expenses from investment properties that did not generate rental income	(787)	(198)
	<hr/>	<hr/>
Net rental income	71,788	77,976

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expense on bank borrowings	6,790	6,739
Interest expense on lease liabilities	22	–
	<hr/>	<hr/>
	6,812	6,739

8. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	5,700	7,559
Under provision in prior years	669	53
Other jurisdiction		
(Over) under provision in prior years	<u>(930)</u>	<u>17</u>
	5,439	7,629
Deferred taxation		
Current year	<u>1,704</u>	<u>1,487</u>
	<u>7,143</u>	<u>9,116</u>

Hong Kong Profits Tax is calculated at 16.5% (2019: 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 (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit before taxation	<u>(524,065)</u>	<u>34,650</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	(86,471)	5,717
Tax effect of share of results of associates	8,566	(102)
Tax effect of expenses not deductible for tax purpose	91,663	8,593
Tax effect of income not taxable for tax purpose	(6,437)	(5,221)
Tax effect of tax losses not recognised	333	338
Tax effect of deductible temporary differences not recognised	21	–
(Over) under provision of taxation in respect of prior years	(261)	70
Tax concession	(280)	(300)
Effect of different tax rates of a subsidiary operating in other jurisdiction	<u>9</u>	<u>21</u>
Tax charge for the year	<u>7,143</u>	<u>9,116</u>

9. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim, paid – HK1.8 cents (2019: HK2.2 cents) per share	4,990	6,771
Final, proposed – HK2.7 cents (2019: HK3.2 cents) per share	<u>7,485</u>	<u>9,848</u>
	<u><u>12,475</u></u>	<u><u>16,619</u></u>

The final dividend of HK2.7 cents (2019: 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. (LOSS) EARNINGS PER SHARE

The calculation of earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK\$531,208,000 (2019: profit for the year attributable to owners of the Company of approximately HK\$25,534,000) and on weighted average number of 287,491,499 (2019: 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 2020 and 2019. Accordingly, diluted (loss) earnings per share is the same as basic (loss) earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables – rental receivables	1,238	423
Less: Allowance for credit loss	<u>(244)</u>	<u>–</u>
	994	423
Other receivables		
Interest receivables	10,129	8,986
Utilities deposits	1,935	1,672
Prepayments	1,010	968
Management fee receivable from associates	922	838
Others (note (i))	<u>359</u>	<u>648</u>
	<u><u>15,349</u></u>	<u><u>13,535</u></u>

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

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, net of allowance for credit loss presented based on the due date on debit note.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
31 – 60 days	330	383
61 – 90 days	305	20
Over 90 days	359	20
	<u>994</u>	<u>423</u>

An aging analysis of trade receivables which are past due but not impaired.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
31 – 60 days	330	383
61 – 90 days	305	20
Over 90 days	359	20
	<u>994</u>	<u>423</u>

Based on historical and forward looking information of the Group, it is determined that no impairment allowance is necessary in respect of these 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities – receipts in advance in relation to rental income	3,478	5,216
Other payables		
Accrued interests	392	319
Dividend payable	690	602
Accrued expenses	1,030	2,813
Others	986	1,008
	<u>6,576</u>	<u>9,958</u>

The balance of contract liabilities as at 1 April 2019 of approximately HK\$5,216,000 was recognised as revenue during the year.

13. EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease (“COVID-19”) and the subsequent quarantine measures imposed by the Hong Kong government have had a negative impact on the operations of the Group and causes decrease in the Group’s revenue. Pending the development and spread of COVID-19 subsequent to the date of the approval of consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

DIVIDEND

The Board of Directors of the Company has resolved to recommend a final dividend of HK2.7 cents per share for the year ended 31 March 2020. Together with the interim dividend of HK1.8 cents per share that have already been paid, the total dividends for the year will amount to HK4.5 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 Wednesday, 19 August 2020, will be payable on Monday, 31 August 2020 to the shareholders on the Register of Members of the Company on Thursday, 27 August 2020.

CLOSURE OF REGISTER MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2020 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 14 August 2020 to Wednesday, 19 August 2020, 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 2020 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 Thursday, 13 August 2020.

Subject to the approval of the shareholders at the 2020 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 27 August 2020. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 26 August 2020 to Thursday, 27 August 2020, 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 Tuesday, 25 August 2020.

BUSINESS OUTLOOK

Against the backdrop of the weak global economy, the wide and rapid spread of COVID-19 worldwide has further dampened the global economy and consumer desire. The global stock market has suffered a historical crash. Although many governments and central banks have launched emergency measures to deal with the impact of the coronavirus disease and the crash of stock market on the economy, the effect has not yet been fully reflected in the economy.

Since the second half of 2019, local retail consumption has continued to decline due to the impact of social movements, resulting in the Hong Kong economy recording negative growth for two consecutive quarters. As a result, the rental income of the Group's investment properties has continued to decline. Affected by COVID-19, all walks of life in Hong Kong have become even negatively impacted. The Group and tenants tackled the difficulties together by the Group providing short-term relief measures, resulting in further downward adjustment on the Group's rental income.

Under today's unstable economic and social environment, the Group's investment in listed fixed-income bonds provides stable income and liquidity, and mitigates the impact of the economic slowdown on the decline in rental income. The management maintains an extremely prudent attitude, maintains the financial stability of the Group with low debt ratio and sufficient liquidity, and strives to respond to and mitigate the negative impacts and challenges brought about by changes in the economic environment.

FINANCIAL REVIEW

Financial Results

Revenue

The revenue derived from the Group's investment in properties for the year was HK\$73.1 million (2019: HK\$80.3 million), a decrease of HK\$7.2 million. This was due to most of the Group's commercial shop properties recorded a decrease in rental rates upon renewal and decreased in the Group's rental portfolio occupancy rate. The Group's rental portfolio occupancy rate decreased by 5.1% to 92.4% (2019: 97.5%).

Treasury investments income

The Group's treasury investment income mainly represented interest income of HK\$38.1 million (2019: HK\$36.1 million) derived from investments in debt securities, an increase of HK\$2.0 million. This was primarily due to a higher average carrying value of investments in debt securities during the year.

During the year, certain of Group's investments in debt securities were redeemed by its issuers and a realized gain of HK\$4.9 million was recorded.

At year ended, there was fair value loss of HK\$8.3 million (2019: HK\$46 thousand) on listed equity securities on hand.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the year was HK\$531.2 million (2019: profit of HK\$25.5 million).

The turnaround of the result from profit to loss was primarily due to:

- a fair value loss of HK\$543.0 million on revaluation of investment properties
- a higher amount of fair value loss on listed equity securities

Loss per share

Loss per share for the year ended 31 March 2020 were HK184.8 cents (2019: earning per share HK8.3 cents). The proposed final dividend of HK2.7 cents (2019: HK3.2 cents) per share will make a total distribution of interim and final dividend of HK4.5 cents (2019: HK5.4 cents) per share for the full year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2020, the Group's net current assets including pledged bank deposits and bank balances and cash of HK\$22.1 million (2019: HK\$277.8 million) amounted to HK\$29.6 million (2019: HK\$265.5 million), a decrease of HK\$235.9 million from last year due to:

- settlement for purchase the Company's listed securities
- an increase in investments in debt securities

At 31 March 2020, the Group's banking facilities amounting to HK\$1,026.4 million (2019: HK\$1,128.3 million) were fully secured by its investment properties, pledged bank deposits and investment in debt securities with an aggregate fair value amounting to HK\$1,196.5 million (2019: HK\$1,641.3 million). At 31 March 2020, HK\$306.5 million was utilised (2019: HK\$268.3 million).

At 31 March 2020, the total amount of outstanding bank borrowings net of bank balances and cash and pledged bank deposits were HK\$284.3 million and the gearing ratio (which is the ratio of net bank borrowings to total equity) was 9.6%. At 31 March 2019, although the Group has bank borrowings of HK\$268.3 million, the Group has a net cash balance on hand.

Of the total bank borrowings at 31 March 2020, HK\$62.3 million or 20.3% (2019: HK\$11.8 million or 4.4%) were repayable within one year. HK\$12.5 million or 4.1% (2019: HK\$12.1 million or 4.5%) were repayable after one year but within two years. HK\$39.5 million or 12.9% (2019: HK\$38.2 million or 14.2%) were repayable after two years but within five years. HK\$192.2 million or 62.7% (2019: HK\$206.2 million or 76.9%) were repayable after five years.

The Group's finance costs for the year ended 31 March 2020 were comparable with last year at HK\$6.8 million (2019: HK\$6.7 million).

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any capital commitments.

SHAREHOLDERS' FUNDS

At 31 March 2020, the Group's shareholders' funds decreased to HK\$2,963.5 million (2019: HK\$3,739.9 million) was mainly due to a significant decrease in the fair value of Group's investment properties at year end. The net asset value per share was HK\$10.7 (2019: HK\$12.2).

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 2020, the total number of staff of the Group was 17 (2019: 18). The total staff costs including Directors' remuneration amounted to HK\$26.0 million (2019: HK\$24.8 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

References are made to (i) the circular of the Company dated 28 June 2019 (the "Circular"); and (ii) the notice of the extraordinary general meeting ("EGM") of the same date as set out in the Circular, the independent shareholders at the EGM held on 30 July 2019 passed the special resolution as set out in the notice of the EGM to authorise the Company repurchased 30,525,639 shares off the market at HK\$5.10 per share from Grand Fort Investment Limited for an aggregate consideration of approximately HK\$155.7 million before expenses during the period. The repurchased shares were subsequently cancelled.

Saved as disclosed above, 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 2020, 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 2019 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 2020 with the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this announcement, there is sufficient public float, as of not less than 25% of the Company's issued shares are held by the public.

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 2020 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
Tern Properties Company Limited
Chan Hoi Sow
Chairman

Hong Kong, 12 June 2020

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.