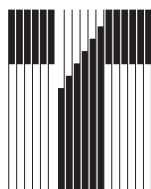


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TERN PROPERTIES COMPANY LIMITED

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 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 March 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Turnover	3	104,841	99,480
Property expenses		(1,254)	(1,302)
Gross profit		103,587	98,178
Realised gain on disposal of financial assets held for trading		1,995	1,950
Unrealised loss on financial assets held for trading		–	(6,326)
Gain on disposal of a property		–	67,769
Dividend income		744	649
Interest income		19,670	14,093
Other operating income		1,812	213
(Decrease) increase in fair value of investment properties		(138,621)	105,700
Administrative expenses		(29,737)	(30,386)
(Loss) profit from operations	5	(40,550)	251,840
Finance costs		(997)	(2,306)
Share of results of associates		(1,205)	28,561
(Loss) profit before taxation		(42,752)	278,095
Taxation	6	(15,320)	(11,352)
(Loss) profit for the year attributable to owners of the Company		(58,072)	266,743
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net gain arising on revaluation of available-for-sale investments		7,075	–
Other comprehensive income for the year, net of tax		7,075	–
Total comprehensive (expense) income for the year attributable to owners of the Company		(50,997)	266,743
(Loss) earnings per share			
Basic and diluted	8	HK(18.87) cents	HK86.67 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Investment properties		3,057,213	3,195,912
Property, plant and equipment		10,241	8,395
Leasehold land		15,106	15,198
Interests in associates		386,272	401,250
Available-for-sale investments		217,590	2,161
Deferred rental income		541	816
		<u>3,686,963</u>	<u>3,623,732</u>
Current assets			
Trade and other receivables	9	8,001	8,665
Financial assets held for trading		–	283,559
Leasehold land – current portion		92	92
Deferred rental income – current portion		935	1,161
Tax recoverable		993	231
Pledged bank deposits		2,143	–
Bank balances and cash		45,750	46,087
		<u>57,914</u>	<u>339,795</u>
Current liabilities			
Trade and other payables	10	7,274	16,943
Rental deposits from tenants		29,452	29,387
Tax liabilities		3,859	2,486
Secured bank loans – due within one year		–	60,000
		<u>40,585</u>	<u>108,816</u>
Net current assets		<u>17,329</u>	<u>230,979</u>
Total assets less current liabilities		<u>3,704,292</u>	<u>3,854,711</u>
Non-current liabilities			
Deferred tax liabilities		23,975	21,777
Secured bank loans – due after one year		–	81,000
		<u>23,975</u>	<u>102,777</u>
Net assets		<u>3,680,317</u>	<u>3,751,934</u>
Capital and reserves			
Share capital		229,386	229,386
Reserves		3,450,931	3,522,548
Total equity		<u>3,680,317</u>	<u>3,751,934</u>

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

The financial information relating to the years ended 31 March 2016 and 2015 included in this annual results for the year ended 31 March 2016 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 follows:

The Company has delivered the financial statements for the year ended 31 March 2015 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 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports 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.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2016, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments: Hedge Accounting and Impairment ²
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹

Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective date yet to be determined.

3. TURNOVER

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

4. OPERATING SEGMENT

For management purposes, the Group is currently organised into two operating segments, namely property investment and treasury investment.

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. The information provided includes net rental income (including gross rental income and property expenses), valuation gains (losses), gain on disposal of a property and share of profit (loss) from associates. The 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 basis. The information provided includes gain on disposal of financial assets held for trading, fair value changes in financial assets held for trading and interest income from debt securities.

Business information

For the year ended 31 March 2016

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	104,841	–	104,841
Property expenses	(1,254)	–	(1,254)
Gross profit	103,587	–	103,587
Realised gain on disposal of financial assets held for trading	–	1,995	1,995
Dividend income	–	744	744
Interest income	1	19,669	19,670
Other operating income	1,662	150	1,812
Decrease in fair value of investment properties	(138,621)	–	(138,621)
Administrative expenses	(29,447)	(290)	(29,737)
(Loss) profit from operations	(62,818)	22,268	(40,550)
Finance costs	(813)	(184)	(997)
Share of results of associates	(1,205)	–	(1,205)
(Loss) profit before taxation	(64,836)	22,084	(42,752)
Taxation	(13,761)	(1,559)	(15,320)
(Loss) profit for the year	<u>(78,597)</u>	<u>20,525</u>	<u>(58,072)</u>

At 31 March 2016

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	3,512,272	232,605	3,744,877
Segment liabilities	(63,001)	(1,559)	(64,560)
Net assets	<u>3,449,271</u>	<u>231,046</u>	<u>3,680,317</u>
Other segment information:			
Depreciation and amortisation	2,607	–	2,607
Addition to property, plant and equipment	<u>4,361</u>	<u>–</u>	<u>4,361</u>

For the year ended 31 March 2015

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	99,480	–	99,480
Property expenses	(1,302)	–	(1,302)
Gross profit	98,178	–	98,178
Realised gain on disposal of financial assets held for trading	–	1,950	1,950
Unrealised loss on financial assets held for trading	–	(6,326)	(6,326)
Gain on disposal of a property	67,769	–	67,769
Dividend income	–	649	649
Interest income	3	14,090	14,093
Other operating income	185	28	213
Increase in fair value of investment properties	105,700	–	105,700
Administrative expenses	(30,134)	(252)	(30,386)
Profit from operations	241,701	10,139	251,840
Finance costs	(2,257)	(49)	(2,306)
Share of results of associates	28,561	–	28,561
Profit before taxation	268,005	10,090	278,095
Taxation	(11,352)	–	(11,352)
Profit for the year	<u>256,653</u>	<u>10,090</u>	<u>266,743</u>

At 31 March 2015

Segment assets	3,659,266	304,261	3,963,527
Segment liabilities	(173,688)	(37,905)	(211,593)
Net assets	<u>3,485,578</u>	<u>266,356</u>	<u>3,751,934</u>
Other segment information:			
Depreciation and amortisation	2,526	–	2,526
Addition to property, plant and equipment	<u>1,149</u>	<u>–</u>	<u>1,149</u>

Geographical information

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

Information on major customers

Included in revenues arising from rental income of approximately HK\$104.8 million (2015: approximately HK\$99.5 million) are rental income of approximately HK\$20.3 million (2015: approximately HK\$19.1 million) which arose from the Group's largest tenant. No other single customers contributed 10% or more to the Group's revenue for both years ended 31 March 2016 and 2015.

5. (LOSS) PROFIT FROM OPERATIONS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging:		
Auditor's remuneration (<i>note</i>)	460	410
Exchange losses, net	591	535
Depreciation of property, plant and equipment	2,515	2,040
Amortisation of leasehold land	92	486
Staff costs (including directors' remuneration)	20,576	19,409
Mandatory provident fund contributions	229	190
Total staff costs	<u>20,805</u>	19,599
and after crediting:		
Dividend income	744	649
Gross rental income from investment properties	104,841	99,480
Less: Direct operating expenses from investment properties that generated rental income	(860)	(1,054)
Direct operating expenses from investment properties that did not generate rental income	(394)	(248)
Net rental income	<u><u>103,587</u></u>	<u><u>98,178</u></u>

Note: The auditor's remuneration is payable to the Company's auditor.

6. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	12,206	9,824
Under-provision in prior years	901	–
Other jurisdiction		
Under-provision in prior years	15	1
	<u>13,122</u>	9,825
Deferred tax		
Current year	1,741	1,527
Under-provision in prior years	457	–
	<u>2,198</u>	1,527
	<u><u>15,320</u></u>	<u><u>11,352</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. At the end of the reporting period, the Group has unused tax losses of approximately HK\$2,075,000 (2015: approximately HK\$2,749,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Those tax losses may be carried forward indefinitely.

7. DIVIDENDS

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid – HK2.2 cents (2015: HK2.2 cents) per share	6,771	6,771
Special interim, paid – HK\$Nil (2015: HK6.0 cents) per share	–	18,465
Final, proposed – HK3.2 cents (2015: HK4.5 cents) per share	9,848	13,849
	<u>16,619</u>	<u>39,085</u>

The final dividend of HK3.2 cents (2015: HK4.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

8. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the loss for the year of approximately HK\$58,072,000 (2015: profit for the year of approximately HK\$266,743,000) and on weighted average number of 307,758,522 (2015: 307,758,522) ordinary shares in issue during the year.

Diluted (loss) earnings per share are the same as basic (loss) earnings per share for both years, as the Company had no dilutive potential ordinary shares outstanding in either year.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	176	220
Other receivables		
Interest receivables	4,359	5,448
Rental deposits	190	190
Utilities deposits	1,860	2,019
Prepayments	803	573
Others	613	215
	<u>8,001</u>	<u>8,665</u>

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

The rental receivables had an age of less than 30 days at the end of both reporting periods. No provision was required for the receivables.

10. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	4,019	3,552
Other payables		
Accrued interest	–	45
Unclaimed dividend	297	2,542
Accrued expenses	2,595	2,691
Amount due on debt security trading account	–	7,896
Others	363	217
	<u>7,274</u>	<u>16,943</u>

Included in trade payables is prepaid rent from tenants. The following is an aging analysis of prepaid rent from tenants at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	3,469	3,552
31 – 60 days	550	–
	<u>4,019</u>	<u>3,552</u>

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 2016. 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 Thursday, 11 August 2016, will be payable on Thursday, 25 August 2016 to the shareholders on the Register of Members of the Company on Friday, 19 August 2016.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2016 Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 9 August 2016 to Thursday, 11 August 2016, 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 2016 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, 8 August 2016.

Subject to the approval of the shareholders at the 2016 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 19 August 2016. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 17 August 2016 to Friday, 19 August 2016, 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, 16 August 2016.

BUSINESS OUTLOOK

The continuous sliding of the Chinese and Hong Kong stock markets in the past months, the fall in oil and minerals prices, the financial uncertainties regarding the pace of increase in interest rate in the United States and the instabilities in the European economy have all posed negative impact to the global financial and investment markets.

Hong Kong's decade-long increase in property price ended in the last quarter of 2015 when the property market started to adjust downward. Number of inbound tourists also recorded a decrease for the first time; and the high-end retail business remained in a phase of adjustment, which exerted pressure on the rental income from investment properties of the Group. However, thanks to the advantageous locations of the Group's investment properties, our trade mix is not centered on tenants undertaking high-end retail business or those targeting tourists. Therefore, our rental income from investment properties for the year was satisfactory.

The leasing market for 2016 is expected to be challenging. The Group will continue to closely monitor the changes in local consumption pattern, perfect its trade mix and alleviate the negative impact caused by economic slowdown on our rental income of investment properties.

As before, the Group will adhere to prudent financial policies and maintain a low gearing ratio, ample liquidity and a healthy interest coverage ratio to cope with the impact of uncertain factors. The Group will remain prudent and proactive, constantly keep an eye on Hong Kong and overseas property markets for potential acquisition targets, expand its investment property portfolio, improve profits and build shareholders' value.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year was HK\$104.8 million (2015: HK\$99.5 million), an increase of HK\$5.3 million. This was primarily due to:

- most of the Group's commercial shop and office properties continued to record increase in rental rates upon renewal; and
- the Group's rental portfolio continued at an average occupancy rate of 99.5% during the year

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the year was HK\$58.1 million (2015: profit of HK\$266.7 million).

The decrease in profit attributable to the owners of the Company was primarily due to decrease in fair value of investment properties of HK\$138.6 million upon revaluation at the year end. Besides, there was an one-off gain of HK\$67.8 million from the disposal of the residential property in High Cliff in last year.

Loss per share and dividend per share

Loss per share for the year ended 31 March 2016 were HK18.87 cents (2015: earnings of HK86.67 cents), a decrease of HK105.54 cents from last year. The proposed final dividend of HK3.2 cents (2015: HK4.5 cents) per share will make a total distribution of interim dividend and final dividend of HK5.4 cents (2015: a total distribution of interim dividend, special dividend and final dividend of HK12.7 cents) per share for the full year, a decrease of HK7.3 cents from last year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2016, the Group's net current assets, including bank deposits and cash of HK\$47.9 million (2015: HK\$46.1 million) amounted to HK\$17.3 million (2015: HK\$231.0 million), a decrease of HK\$213.7 million from last year mainly contributed by an increase of long term investment in debt securities.

At 31 March 2016, the Group's banking facilities amounting to HK\$110.0 million (2015: HK\$186.0 million) were fully secured by its investment properties, pledged bank deposits, available-for-sale investments and financial assets held for trading with an aggregate fair value amounting to HK\$614.5 million (2015: HK\$619.1 million). At 31 March 2016, no facilities were utilised (2015: HK\$141.0 million utilised).

At 31 March 2016, the Group did not have any borrowings. At 31 March 2015, the total amount of outstanding bank borrowings net of bank balances and cash were HK\$94.9 million. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 2.5%.

Of the total bank loans at 31 March 2015, HK\$60.0 million or 42.6% were repayable within one year. HK\$46.0 million or 32.6% were repayable after one year but within two years. HK\$35.0 million or 24.8% were repayable after two years but within five years.

The Group's finance costs for the year ended 31 March 2016 were HK\$1.0 million (2015: HK\$2.3 million), a decrease of 56.5% from last year. The decrease was due to the lower level of average bank borrowings during the year.

SHAREHOLDERS' FUNDS

At 31 March 2016, the Group's shareholders' funds amounted to HK\$3,680.3 million (2015: HK\$3,751.9 million), a decrease of 1.9% from last year. The net asset value per share was HK\$11.96 (2015: HK\$12.19). The decrease in shareholders' funds was primarily due to the decrease in the fair value of the investment properties of the Group upon revaluation at the end of the 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 2016, the total number of staff of the Group was 17 (2015: 17). The total staff costs including Directors' remuneration amounted to HK\$20.8 million (2015: HK\$19.6 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 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.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Code on Corporate Governance Practices (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 2016, 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 2015 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 2016 with the Directors.

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 2016 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 in the announcement.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 16 June 2016

As at the date of this announcement, the Board of Directors of the Company comprises six Directors, of which two are Executive Directors, namely Mr. CHAN Hoi Sow and Mr. CHAN Yan Tin, Andrew, 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 Mr. LEUNG Kui King, Donald.