太興置業有限公司

TERN PROPERTIES COMPANY LTD.

Stock Code 股份代號 : 277

Annual Report 2022

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-Executive Director

Chan Yan Mei, Mary-ellen

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Principal Bankers

Credit Suisse Group AG
Hang Seng Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.

Registered Office

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

Share Registrar and Transfer Office

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

Company Secretary

Lee Ka Man ACG, HKACG

Auditor

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

Solicitors

Woo, Kwan, Lee & Lo

Website

www.tern.hk

Stock Code

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Chairman's Statement

I am pleased to present to shareholders of Tern Properties Company Limited (the "Company") the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2022.

Financial Results

The revenue of the Group for 2022 was HK$57.1 million, a decrease of 11.4% from last year. The reduction was primarily attributable to lower rents from renewals in commercial shop properties and decrease in the Group's rental portfolio occupancy rate.

The loss attributable to the owners of the Company for the year was HK$55.1 million. Such loss was primarily attributable by the decrease in the fair value of the Group's investment properties as compared with the end of last year. Loss per share amounted to HK20 cents.

Dividend

The Board of Directors of the Company has resolved to recommend a final dividend of HK1.5 cents per share for the year ended 31 March 2022. Together with the interim dividend of HK1.2 cents per share that have already been paid, the total dividends for the year will amount to HK2.7 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, 24 August 2022, will be payable on Friday, 16 September 2022 to the shareholders on the Register of Members of the Company on Friday, 2 September 2022.

Closure of Register Members

To ascertain the entitlement of the shareholders to attend and vote at the 2022 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 19 August 2022 to Wednesday, 24 August 2022, 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 2022 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, 18 August 2022.

Subject to the approval of the shareholders at the 2022 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 2 September 2022. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 31 August 2022 to Friday, 2 September 2022, 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, 30 August 2022.

Business Outlook

Since the end of 2021, the growth momentum of various countries has slowed down significantly, especially in the major economies. The economic outlook is subject to a number of downside risks, including the spread of the new variants of Omicron, the ongoing Russian-Ukrainian war, the disruption of supply chains followed by the rising global inflation, all of which have profound impacts on the global economy.

Locally, the number of COVID-19 infections surged in the first quarter of 2022, bringing the fifth wave of the COVID-19 pandemic. The raging pandemic has caused our government to tighten anti-pandemic measures again, which has put economic activities and sentiment under pressure for yet another time. Moreover, compared to the early stage of the COVID-19 pandemic in 2020, strict social distancing restrictions and vaccine passes have had a more severe impact on the food and beverage and retail industries. As a result, the Group's retail outlets have been severely negatively impacted. Due to the uncertainty of the local economy, the office leasing market also showed weak demand. Therefore, it is expected that the overall rental level and occupancy rate of the Group will continue to be under downward pressure.

It is expected that the Group's investment properties will be facing challenges in the near future. Nevertheless, the Group will continue to operate its business prudently, maintain a low gearing level and sufficient liquid cash, while seeking new opportunities amid the challenging environment.

Appreciation

I would like to take this opportunity to express my gratitude to our shareholders for their continuous support and to my fellow directors and all the staff for their dedication and hard work.

Chan Hoi Sow
Chairman and Managing Director

Hong Kong, 15 June 2022

Management Discussion and Analysis

Introduction

The core business of the Company and its associates consists of property investment and treasury investment. Details of major properties held by the Group are shown on pages 130 to 132 to the consolidated financial statements.

Financial Highlights

In millions of Hong Kong dollars except per share amounts

		2022	2021
For the year	Revenue	**57.1**	64.5
	Loss for the year attributable to owners of the Company	**55.1**	134.2
As at 31 March	Capital & reserves attributable to owners of the Company	**2,726.8**	2,882.4
	Shares in issue (thousands)	**277,233**	277,233
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	**0.3%**	1.7%
Per Share	Net worth per share (HK$)	**9.8**	10.4
	Basic loss per share (HK cents)	**19.9**	48.4
	Final dividend declared per share (HK cents)	**1.5**	2.1

Financial Review

Financial Results

Revenue

The revenue derived from the Group's investment in properties for the year was HK$57.1 million (2021: HK$64.5 million), a decrease of HK$7.4 million. This was 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 slightly increased by 1.2% to 88.3% (2021: 87.1%).

Treasury investments income

The Group's treasury investment income mainly represented interest income of HK$28.1 million (2021: HK$35.0 million) derived from investments in debt securities, a decrease of HK$6.9 million. This was primarily due to a lower average carrying value of investments in debt securities during the year.

During the year, the Group disposed certain of its investments in debt securities which acquired at total cost of HK$205.2 million at market value of HK$191.9 million, a realised loss of HK$13.3 million was recorded.

At year ended, there was fair value loss of HK$3.0 million (2021: gain of HK$2.6 million) on listed equity securities on hand.

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

Financial Review (Cont'd)

Financial Results (Cont'd)

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the year was HK$55.1 million (2021: HK$134.2 million).

Decrease in loss was primarily due to a lesser decrease in the fair value loss on revaluation of investment properties as compared with last year. The fair value loss on revaluation of investment properties at year end was HK$62.8 million (2021: HK$182.9 million). The decrease in loss was in lesser extent as the Group disposed certain of its investments in debt securities with a realised loss of HK$13.3 million.

Loss per share

Loss per share for the year ended 31 March 2022 was HK19.9 cents (2021: HK48.4 cents). The proposed final dividend of HK1.5 cents (2021: HK2.1 cents) per share will make a total distribution of interim and final dividend of HK2.7 cents (2021: HK3.6 cents) per share for the full year.

Liquidity, Bank Borrowings and Finance Costs

At 31 March 2022, the Group's net current assets including pledged bank deposits and bank balances and cash of HK$155.1 million (2021: HK$159.1 million) amounted to HK$184.0 million (2021: HK$204.0 million), a decrease of HK$20.0 million from last year due to decrease in investments in securities by HK$22.7 million as compared with last year.

At 31 March 2022, the Group's banking facilities amounting to HK$550.7 million (2021: HK$744.0 million) were fully secured by its investment properties, pledged bank deposits and investment in debt securities with an aggregate fair value amounting to HK$660.7 million (2021: HK$1,007.8 million). At 31 March 2022, HK$50.2 million (2021: HK$243.5 million) was utilised.

At 31 March 2022, although the Group have bank borrowings of HK$50.2 million (2021: 243.5 million), the Group have a net cash balance on hand. At 31 March 2021, the total amount of outstanding bank borrowings net of bank balances and cash and pledged bank deposits was HK$84.5 million and the gearing ratio (which is the ratio of net bank borrowings to total equity) was 2.9%.

Of the total bank borrowings at 31 March 2022, HK$3.0 million or 6.0% (2021: HK$14.8 million or 6.1%) were repayable within one year. HK$3.1 million or 6.1% (2021: HK$15.0 million or 6.2%) were repayable after one year but within two years. HK$9.4 million or 18.8% (2021: HK$46.4 million or 19.1%) were repayable after two years but within five years. HK$34.7 million or 69.1% (2021: HK$167.2 million or 68.6%) were repayable after five years.

The Group's finance costs for the year ended 31 March 2022 was HK$2.3 million (2021: HK$4.5 million), a decrease by 48.9 % as compared with last year due to the repayment of bank borrowings.

Financial Review (Cont'd)

Shareholders' Funds

At 31 March 2022, the Group's shareholders' funds decreased to HK$2,726.8 million (2021: HK$2,882.4 million) was mainly due to a significant decrease in the fair value of Group's investment properties and investment in debt securities at year end. The net asset value per share was HK$9.8 (2021: HK$10.4).

Segment Information

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

Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

Contingent Liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities.

Pledge of Assets

Details regarding pledge of assets are set out in note 29 to the consolidated financial statements.

Operational Review

Properties

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

- The spreading of COVID-19 has adversely affected the Group's rental income and investment properties fair value.

- At 31 March 2022, the Group's held investment properties amounting to HK$2,163.8 million, a decrease of HK$62.8 million from last year. The decrease was mainly driven from the decrease in fair value due of Group's investment properties in Tsim Sha Tsui.

- No acquisitions or disposals of properties during the year.

Treasury Investments

- The Group's strategy is to maintain securities investment portfolio for treasury management and invest in securities and treasury products with attractive yield and good prospect to bring stable and satisfactory return in long run.

- At 31 March 2022, the portfolio of securities investments and treasury products of HK$217.9 million (2021: HK$487.2 million) comprise debt securities of HK$184.9 million (2021: HK$442.5 million) and listed equity investments of HK$33.0 million (2021: HK$44.7 million). There was no single listed debt security over 5% of the Group's total assets.

Operational Review (Cont'd)

Employees

At 31 March 2022, the total number of staff of the Group was 17 (2021: 16). The total staff costs including Directors' emoluments amounted to HK$25.8 million (2021: HK$24.7 million).

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

Our Risk Profile

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

Business Risk

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

Operational Risk

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

Financial Risk

Financial risk included market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit. Further discussion on financial risk management is outlined in note 32(b) to the consolidated financial statements.

Profile of Directors and Senior Management

Chan Hoi Sow

Mr. Chan, aged 88, is the founder of the Group. He has been the Chairman and Managing Director of the Group since 1987. He is also a director of various members of the Group. Mr. Chan has closed to 40 years of experience in property investment and development in Hong Kong, the Mainland China and overseas and in financial investment. He is the father of Mr. Chan Yan Tin, Andrew, an Executive Director of the Company, Ms. Chan Yan Wai, Emily, the Vice Chairman and an Executive Director of the Company, Mr. Chan Yan Lam, Alan, an Executive Director of the Company and Ms. Chan Yan Mei, Mary-ellen, a Non-Executive Director of the Company.

Chan Yan Tin, Andrew

Mr. Chan, aged 58, has been an Executive Director of the Company since January 2004. He was an Executive Director from October 1987 to April 2001 and a Non-Executive Director from April 2001 to January 2004. He is also a member of the Remuneration Committee and a director of various members of the Group. He graduated from Simon Fraser University in Canada and has extensive experience in construction, property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as brother of Ms. Chan Yan Wai, Emily, Mr. Chan Yan Lam, Alan and Ms. Chan Yan Mei, Mary-ellen, who are the Vice Chairman, Executive Directors and Non-Executive Director of the Company respectively.

Chan Yan Wai, Emily

Ms. Chan, aged 57, has been appointed as an Executive Director and the Vice Chairman of the Company on 15 June 2017 and 13 November 2019 respectively. She is also a member of the Nomination Committee and a director of various members of the Group. She holds a Bachelor of Arts degree from the University of British Columbia. She has been serving in the Group since 2002 and is currently a General Manager of operations and corporate functions. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew, Mr. Chan Yan Lam, Alan and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Directors and Non-Executive Director of the Company respectively.

Chan Yan Lam, Alan

Mr. Chan, aged 51, has been appointed as an Executive Director on 24 November 2021. He is a director of various members of the Group. He holds a Bachelor Degree in Engineering from the University of British Columbia, Canada and a Masters Degree in Business from Stanford University, United States of America. He has extensive experiences in engineering, corporate finance, treasury, project development and investment management. Mr. Chan is a son of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group as well as brother of Ms. Chan Yan Wai, Emily, Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Mei, Mary-ellen, who are the Vice Chairman, Executive Directors and Non-Executive Director of the Company respectively.

Chan Yan Mei, Mary-Ellen

Ms. Chan, aged 54, has been a Non-Executive Director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has solid experience in supervisory role as well as financial and business management. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew, Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan who are the Executive Directors of the Company and Ms. Chan Yan Wai, Emily is also the Vice Chairman of the Company.

Chan Kwok Wai

Mr. Chan, aged 63, has been an Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee, the Chairman of the Remuneration Committee and the Chairman of the Nomination Committee. Mr. Chan holds a Bachelor Degree of Business Administration from the Monash University, Australia. He is a member of the CPA Australia and a member of the Hong Kong Securities and Investment Institute. He has extensive experience in finance and accounting industry.

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

Tse Lai Han, Henry

Mr. Tse, aged 57, has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and Overseas.

Cheung Chong Wai, Janet

Ms. Cheung, aged 55, has been an Independent Non-Executive Director of the Company since March 2018. She is also a member of the Audit Committee. Ms. Cheung holds a Bachelor of Commerce – Accounting & Management Information Systems degree from the University of British Columbia in Canada and a Master of Business Administration degree from the University of Michigan in U.S.A. She has been working as an airline executive with over 25 years' experience in leading complex procurement and financing projects.

Corporate Governance Report

Corporate Governance Practices

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2022, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision A.2.1 of the Code.

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

Since 1 January 2022, certain amendments to the CG Code has come into effect and the requirements under the revised CG Code will apply to all listed issuers for financial years commencing on or after January 1, 2022. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the revised CG Code and align itself with the latest developments.

Board of Directors

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

The biographies of all Directors are set out in the section headed "Profile of Directors and Senior Management" of this annual report. The Company publishes and maintains on its website and on the Stock Exchange's website an updated list of the Directors identifying their roles and functions.

During the year, the Board at all times has met the requirement of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Board held four meetings during the year ended 31 March 2022. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

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

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

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

Chairman and Chief Executive

Provision A.2.1 of the Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Chan Hoi Sow is the Chairman of the Board and Managing Director of the Company. Mr. Chan has been performing the duties of both the chairman and the chief executive since the establishment of the Company. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. As three members of the Board comprises Independent Non-Executive Directors who are professional accountant, engineer and manager respectively, the balance of power and authority between the Board and the management will not be compromised.

Non-Executive Directors

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

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

Board Diversity Policy

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

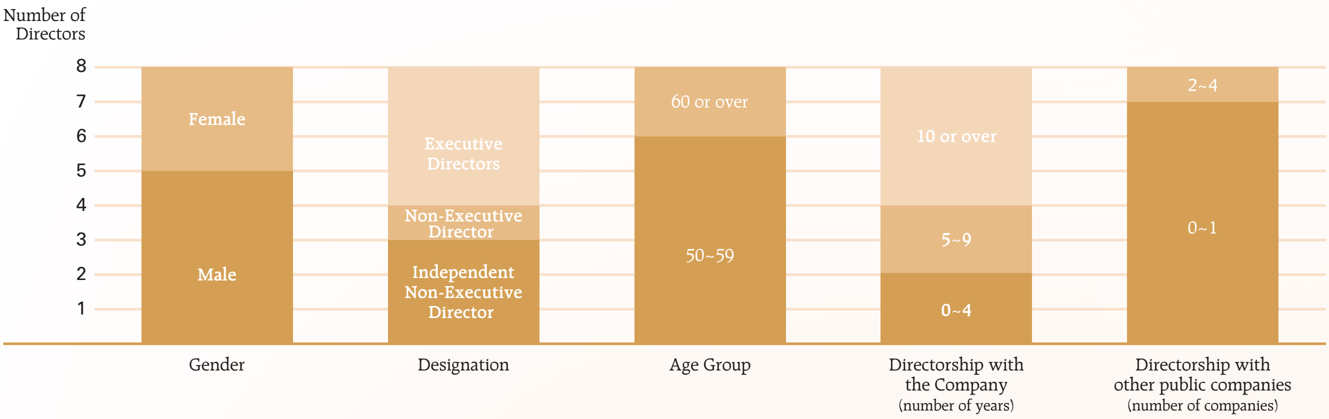
Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will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

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

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

Board Diversity Policy (Cont'd)

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



Continuous Professional Development

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

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

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

Directors' and Officers' Insurance

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

Board Committees

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

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

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

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

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

(d) reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors; and

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

Audit Committee

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

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

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

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

Audit Committee (Cont'd)

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

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and qualifications;

(v) compliance with accounting standards; and

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

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

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

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

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

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

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2022. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2022 and for the six months ended 30 September 2021 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control and risk management systems. The Audit Committee also approved the remuneration of the Company's auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2022 with the Directors.

Remuneration Committee

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

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

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

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

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

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

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2022. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2022, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management, recommended specific remuneration packages for all the Directors (including the new executive director) and senior management to the Board.

The executive Directors are also the senior management of the Company. Details of the remuneration of executive Directors for the year ended 31 March 2022 are set out in Note 11 to the audited consolidated financial statements contained in this Annual Report.

Nomination Committee

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

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

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

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

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

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

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2022. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2022, the Nomination Committee reviewed the structure, size and composition of the board, the diversity of the board, made recommendations to the board on the re-appointment of directors, assessed the independence of independent non-executive directors and made recommendations to the board on the appointment of new executive director.

Nomination Policy

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

1.0 Objective

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

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

2.0 Selection Criteria

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

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

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

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

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

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

Nomination Policy (Cont'd)

3.0 Nomination Procedures

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

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

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

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

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

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

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

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

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2022 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Chan Hoi Sow	4/4	–	–	–	1/1
Chan Yan Tin, Andrew	4/4	–	2/2	–	1/1
Chan Yan Wai, Emily	4/4	–	–	2/2	1/1
Chan Yan Lam, Alan (appointed on 24 November 2021)	2/2	–	–	–	–
Non-Executive Director					
Chan Yan Mei, Mary-ellen	4/4	–	–	–	1/1
Independent Non-Executive Directors					
Chan Kwok Wai	4/4	2/2	2/2	2/2	1/1
Tse Lai Han, Henry	4/4	2/2	2/2	2/2	1/1
Cheung Chong Wai, Janet	4/4	2/2	–	–	1/1

Directors Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2022.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the financial performance and cash flows for the year ended 31 March 2022 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 63 to 66.

Risk Management Control and Internal Control Environment

Responsibility

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

Internal Control

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

Review of Internal Control Effectiveness

In respect of the year ended 31 March 2022, the Board considered the internal controls system effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The Board will review and assess the internal control systems at least once a year.

Risk Management

Establishment of Risk Management Framework

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

Our Risk Management Process

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

Risk Management (Cont'd)

Our Risk Management Process (Cont'd)

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

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

Dissemination of Inside Information

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

Auditors' Remuneration

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2022 amounted to HK$441,000. The auditor did not provide any non-audit service to the Group during the year.

Company Secretary

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

Ms. Lee is an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute. She has more than 15 years of experience in the field of company secretarial services.

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

Communication with Shareholders

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

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

2021 Annual General Meeting

At the 2021 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditor, general mandates respectively authorising the Directors to buy back shares or to issue shares of the Company and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and the Chairman of respective committees attended the annual general meeting to address enquiries raised by shareholders and ensure effective communication with shareholders.

General Meeting on Requisition by Shareholders

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

The request:

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

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

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

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

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

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

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

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

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

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

Putting Forward Proposal at Annual General Meeting ("AGM") (Cont'd)

The request:

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

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

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

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

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

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

Constitutional Documents

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

Dividend Policy

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

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

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

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

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

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

Environmental, Social and Governance Report

1. About the Report

Overview

Tern Properties Company Limited (the "Company") and its subsidiaries (together referred to as the "Group") are pleased to present the Group's fifth Environmental, Social and Governance ("ESG") report (the "Report"). This Report summarizes the environmental and social impacts, policies and initiatives of the Group during the financial year of 2021/2022 which began on 1 April 2021 and ended on 31 March 2022 to demonstrate our long-term commitment in ensuring that the Group's business are economically, socially and environmentally sustainable.

Preparation Basis

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

The content of the Report was prepared according to a set of systematic procedures. The Report was prepared through the following procedures: identifying key stakeholders, prioritizing material ESG issues, collecting relevant data, collating and examining report materials.

Scope and Coverage of the Report

The policies, statements and data in the Report cover the actual business scope of Tern Properties Company Limited and its subsidiaries, except for some specific data with extra notes. The Company works with an outsourced Property Management Company to ensure that the more important data having an impact on the stakeholder will be included in the report boundary in our future ESG reports.

Data Sources and Reliability Statement

The data used herein all comes from Tern Properties Company Limited and its subsidiaries. The board of director of the Company (the "Board") acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of its knowledge, this report addresses all material issues and fairly presents the ESG performance of the Company and its impact. The Board confirms that it has reviewed and approved the report.

2. Our Approach to ESG

The property sector in Hong Kong has been seriously affected by the pandemic, The raging pandemic in early 2022 has caused the government to tighten social distancing measures again, which has put many business activities under economic pressure.

Following the epidemic trend continued to be stabilised in the 2nd quarter of 2022, the government commenced to relax social distancing measures. We believe the retail and office market are on the cusp of recovery in the near future. The leasing volume will continue to improve next year as a result of increasing business activities and more tenants reconfiguring their real estate requirements. The resumption of international traveller clearance is going to support the recovery of the demand for commercial properties.

Over the past 12 months, every industry has witnessed fundamental transformation, and commercial real estate is no exception. Climate change, previously a relatively peripheral concern for many real-estate investors, has moved to the top of the agenda. The climate transition not only creates new responsibilities for real-estate investors to both revalue and future-proof their portfolios but also brings opportunities to create fresh sources of value.

The journey ahead, climate change and ESG are fast becoming the norm throughout the business. As we gear up our business operations for the next wave of growth, value creation through ESG integration will remain our priority.

We will strive to forge ourselves into an environmentally conscious company by aiming towards implementing greener technology into our properties. By enhancing our properties with more greener technology, we endeavour to meet the energy saving and emission reduction targets.

2. Our Approach to ESG (Cont'd)

Corporate Governance

Tern Properties is committed to upholding the highest standards of corporate governance and business integrity in all our business activities, which are essential for the long-term viability of the Group's businesses and the enhancement of shareholder value.

The Group has in place an internal code of business and ethical conduct reflecting the Company's business principles and practices for matters which may have ethical implications. The code provides a clear framework for staff to observe the Company's principles such as honesty, integrity, responsibility, and accountability at all levels of the organisation and in the conduct of the Company's business in their dealings with tenants, suppliers, and fellow colleagues. It is available on the employee handbook for easy access by all employees, which includes:

- Conflicts of interest and the appropriate disclosures to be made.
- The Company's stance against corruption and bribery.
- Compliance with applicable laws and regulations including those relating to the prevention of Corona Virus inflection, the protection of the environment and the conservation of energy and natural resources.
- Safeguarding and proper use of the Company's assets, confidential information, and intellectual property rights.

Risk Management

Risk management is a critical component to our business success. The Group strives to advocate adopting a sound risk management practice as an important component in all our business portfolio and activities. It demonstrates the Group's commitment to a high standard of corporate governance and serves as a beacon for our strategic planning and decision-making process.

The Board has an overall responsibility to ensure that the Group has the capability and necessary resources to manage risks in new and existing businesses, and that business plans and strategies accord with the risk appetite that the Group undertakes to achieve its corporate objectives.

To assist the Board in carrying out its role overseeing risk management's implementation, the Risk Management Committee has been delegated by the Board to provide supervision and to review matters relating to the risk management policies and systems of the Company. ESG-related risks including, for example, bribery and corruption, business ethics, occupational health and safety and environmental protection are incorporated into the annual assessment. Any material ESG risks identified in this process are reported to the ESG executive committee, which ultimately determines the Group's material ESG risks and acts as the centralised governance body to oversee all sustainability and ESG issues.

More on corporate governance and risk management can be accessed on our Annual Report 2021/2022.

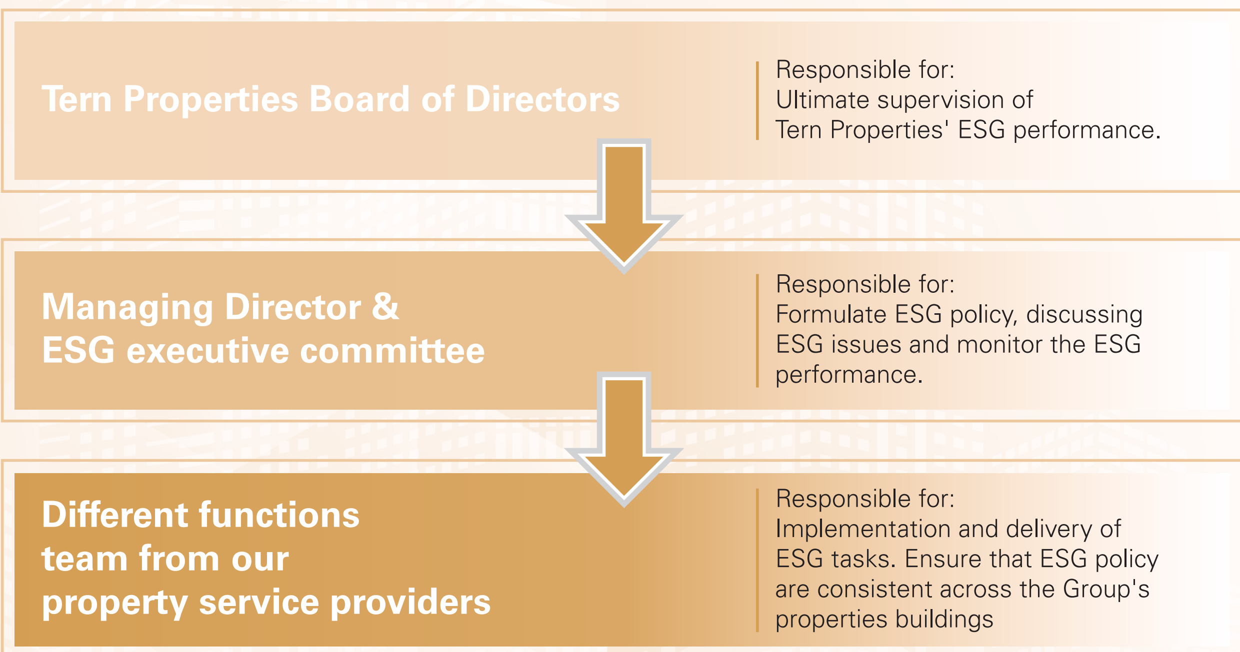
3. Managing ESG across the Group

We recognise that making business decisions involves calculated risks and managing these risks within reason is fundamental to creating long-term value for all our stakeholders. As a property investor, we conduct risk assessments at critical decision points during the investment process to identify risks and to meet target returns. The Board adopts a balanced risk profile to maintain a sustainable business and ensure that we remain an attractive investment proposition over the long term.

We acknowledge that ESG leadership at the Board and senior management is critical to integrating sustainability management and performance into our corporate culture, processes and business relationships. We also recognise the importance of effective management and remuneration methods that will help to promote and incentivise proactive approaches to sustainability both at a Group and asset level.

Since 2019, a company wide ESG executive committee was set up to drive ESG practices across all asset within Tern Properties. Led by the Managing Director with functional oversight by the senior management, the committee initiates, drives and monitors various aspects of our ESG practices, ensuring effective integration of ESG initiatives into our business operations and corporate objectives.

The Group's ESG executive committee is responsible for the sustainability performance and receives a formal update on ESG from the operational level committee at least once a year. The Board of Director will advise on the ESG strategy from time to time. The Group has established a framework for implementing its ESG programs across the Group within different functions with the support of our various service providers in each of the property building.



3. Managing ESG across the Group (Cont'd)

In 2021/2022, our ESG executive committee focused on:

- Economy Recovery – continue to seek opportunities in the top performing commercial real estate sector.
- Commercial Opportunities – leveraging the sustainability credentials of our properties portfolio to attract more tenants amidst COVID-19 outbreak.
- Compliance – managing issues and collecting data to ensure the Group operate responsibly and comply with external regulations and internal strategies.
- Infection Control – implementation of health advice on the prevention of corona virus disease issued by the Centre for Health protection to our properties.

4. Our Stakeholders

We review and evaluate our progress against our stakeholder engagement commitments and priorities as part of our annual report process.

Using a comprehensive five-stage framework, a list of ESG issues were reviewed against current global and local trends and emerging regulatory development which can have an impact on the Group business. These considerations include the COVID-19 pandemic, social unrest, climate change, market outlook and the new amendment of ESG reporting guideline.

Six major groups of stakeholders have been identified, namely tenants, employees, suppliers/contractors/service providers/professional advisors, investors/shareholders, local communities, and regulator. The suggestions and concerns of the stakeholders are referred to the respective business unit according to their scope and nature through the following diversified communication channels for the Company to address in a timely manner. The Group believes that good interaction with the stakeholders not only allows the Company to keep abreast of the latest economic, social, and environmental information more quickly, but also help maximise its industry and business value.

4. Our Stakeholders (Cont'd)

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

Stakeholder	Engagement Method	Issues	Action
Tenants	• Tenants Satisfaction Survey • Direct feedback from our tenants through annual questionnaires as collected by our property service providers • Regular communications and discussions with tenants and their representatives	• Health and Safety • Management of properties • Customer service and experience • Resource efficiency	• Our promise is to provide quality spaces and retail outlet in line with the rising expectation and lifestyles aspirations of tenants. • We seek to deliver sustainable solutions and exceptional service levels to appeal to our tenants.
Employees	• Annual appraisal • Open-door approach • Periodic team events	• Job Security • Remuneration and benefits • Work-life balance • Career development	• Our employees are part of our human capital whose health and safety, competencies, welfare and professional development are fundamental to Tern Properties operational efficiencies. We aim to develop their potential to drive productivity and organisational excellence.
Suppliers/ Contractors/Service Providers/Professional Advisors	• Dialogue before the beginning of a new business relation • Project collaboration • Company Website	• Quality of work or service • Fair practices • Health and safety	• We engage with local suppliers in our improvement projects as well as in the regular maintenance of our buildings. • We work closely with suppliers to ensure that retrofit or maintenance job are carried out in line with industry safety standards and sustainable building methods.

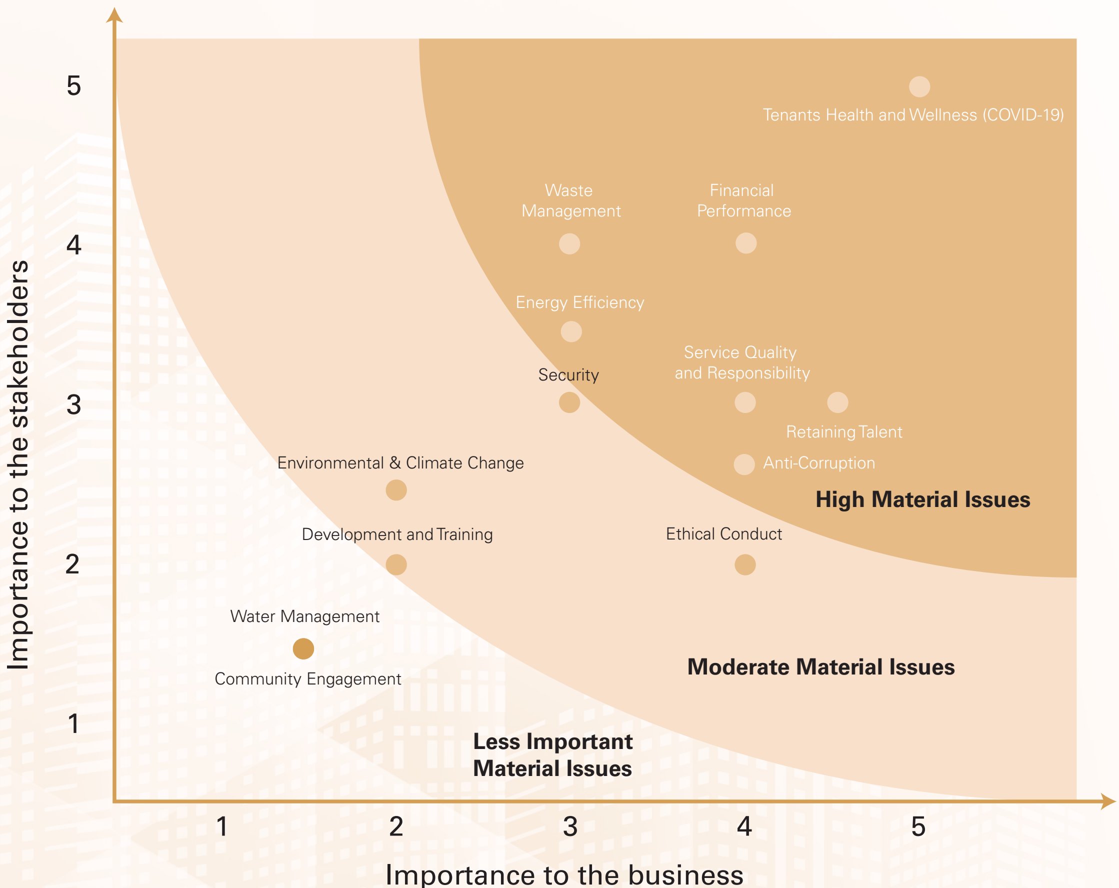
4. Our Stakeholders (Cont'd)

Stakeholder	Engagement Method	Issues	Action
Investors/ Shareholders	• Maintain good communications with shareholders via our Annual General Meeting • Interim financial reporting and annual ESG reporting as well as regular announcement • Investor relations enquiry	• Corporate governance • Risk management • Business growth	• We strive to maximise shareholder returns, maintain good corporate governance, and improve levels of transparency through financial and ESG reporting, as well as proactive and timely communication. • Our operational focus is on maintaining the highest level of occupancy in our portfolio as well as generating a good and desirable revenue stream for the Group. • Our investment strategy is focused on balancing the risk of investment and achieving a desirable income stream for the Group. • Our investor relations activities are focused on informing shareholders, financial analysts and the business press about the company's development.
Local communities	• Dialogue with affected neighbourhood before and during renovation projects.	• Property renovation disruption • Create employment	• We believe that open and honest dialogue with the community in our neighbourhood is key for the long-term prospects of the Company.
Regulators	• Notice • Feedback	• Legal compliance • Green awareness	• Beyond compliance, we actively elevate industry standards on property management, as well as health and safety standard.

5. Materiality Assessment

The COVID-19 pandemic has brought about unprecedented challenges for the commercial property sector. We recognised the need to conduct a materiality assessment with a more extensive scope to identify the shifting priorities and expectation of our stakeholders.

A total of 13 ESG issues were analysed in this year's materiality analysis exercise. A closer look at the materiality matrix shows that some topics, such as tenants health and wellness, financial performance, security, service quality and responsibility are considered to have a higher impact on the Group's operation. While development and training, and community engagement were considered as having less importance to our stakeholders and less material compared to last year. The formulated materiality matrix guides us in preparing the report to better respond to our stakeholders' concern, with more emphasis on the more material issues.



Less Important Material Issues	Moderate Material Issues	High Material Issues
Water Management	Security	Tenants Health and Wellness (COVID-19)
Community Engagement	Ethical Conduct	Financial Performance
	Environmental & Climate Change	Retaining Talent
	Development and Training	Service Quality and Responsibility
		Anti-Corruption
		Waste Management
		Energy Efficiency

6. Social – Operating Practices

6.1 Services Responsibility – Leasing Properties

The Group has established our requirements for our outsourced property management service provider which details our commitment to excelling in service delivery to our tenants. We set internal key performance indicators for critical safety services, for example, response time in attending to people trapped in lifts, handling a number of breakdowns of essential services such as fire protection system. We track and monitor the performance of these indicators on an on-going basis.

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

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

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

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

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

6. Social – Operating Practices (Cont'd)

6.1 Services Responsibility – Leasing Properties (Cont'd)

Property Security

As a responsible property owner, the Group actively identifies the significant hazards and manages the risks in all managed commercial buildings. To ensure the safety and security of our commercial tenants and the public, every building is under the care of our outsourced Property Management service provider who oversees our properties' daily operations and a range of safety and security measures.

Measures	Coverage and Features
Security	• CCTV monitors • 24 hours security guards
Lifts and Escalators	• In compliance with Hong Kong latest mandatory safety standards • Engaged only licensed and qualified contractors to perform maintenance and inspections • Incident reporting process • Lifts and Escalators will be taken out service until problems are addressed and deemed safe for use again
Emergency Response Plan	• Covers building's utilities services such as electricity outages, water supply interruptions • Fire equipment testing • Fire exit route map • COVID-19 Pandemic

Used of Technology for Better Tenant Experience

The Group actively leverages technology to standardise protocols and drive decision making. We have implemented systems that support lease management and facilities management. Desired outcomes include more consistent service standards, higher productivity, and increased competitiveness in the market position.

Property Renovation Arrangement

Before any renovation project begins, we communicate closely with all the involved parties to minimize disputes related to our projects that may affect tenants or any adjacent neighbours. We aim to find solutions and reduce negative effects on anyone in our renovation.

COVID-Pandemic Precautionary Measures

The Group takes the following precautionary measures at our properties portfolio to minimise the risk of contracting and spreading COVID 19. The Group's property management has posted up health education materials on hand hygiene, cough etiquette and COVID-19 prevention in conspicuous sites to alert the visitors. The Group property management has also arranged temperature checking for visitors and deny entry of those with fever. All visitors visit our properties are required to wear face mask and measuring temperature.

6. Social – Operating Practices (Cont'd)

6.1 Services Responsibility (Cont'd)

COVID-Pandemic Precautionary Measures (Cont'd)

In addition to that, the Group maintains environment hygiene of properties, special attention given to the following areas.

- Maintain good ventilation. Ventilation system is functioning properly and regularly maintain.
- Provide adequate hand hygiene facilities, such as 70 to 80% alcohol-based hand-rub in public areas, for example, at the reception counter and corridor area.
- Areas with frequent access by members of the public (e.g. lifts, escalators, lobby entrance, waiting areas, corridors and lounges); Clean and wipe at least twice daily.
- Frequent touched surfaces (e.g. buttons, handrails). Clean and wipe at least twice daily and when visibly dirty.
- Properly collect and pick up rubbish and waste every day.

6.2 Tenants Satisfaction Survey

To improve our service delivery, the Group will conduct tenants satisfaction through surveys at the end of each year. Our target is to achieve a 70% satisfaction rate from our tenants.

Apart from that, the Group's marketing team also conducts commercial and technical discussions and meetings with tenants to understand their needs. Through the feedback received, we can better understand tenants' expectations and identify areas for continual improvements. Some of our service engagement initiatives have originated from tenants' feedback.

The tenants' satisfaction survey covered the following topics:

- Tenants' communication services (response time, handling of complaints)
- Management services (overall service quality, service reliability)
- Security services
- Cleaning and environmental care services

Customers can rate on a scale from Excellent, Good, Satisfactory, Acceptance to Unsatisfactory, with the value like Excellent and Good indicating a higher degree in satisfaction. The value like Unsatisfactory implies dissatisfaction.

6. Social – Operating Practices (Cont'd)

6.2 Tenants Satisfaction Survey (Cont'd)

During the reporting period, the Group conducted the survey and overall our tenants are satisfied with our services.

	Southgate Commercial Centre	The Wave	Tern Centre Tower II
Excellent	–	–	–
Good	100%	36%	–
Satisfactory	–	64%	100%
Acceptance	–	–	–
Unsatisfactory	–	–	–

* *Data from buildings which are 100% owned by the Group.*

6.3 Protection for Customer Privacy

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

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

All employees are guided by the Group's Code of Conduct, and we will enforce strict disciplinary action for any breach of tenants' confidentiality. In addition, we have educated our employees the following:

- Preserving our tenants' trust by safe-guarding and handling their information in a private and confidential manner.

- Restrict the use of personal data for the purpose of which the is to be used to minimize any breach of privacy.

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

6. Social – Operating Practices (Cont'd)

6.4 Intellectual Property Rights

The Group protects and respect intellectual property rights. Our business complies with all applicable laws and regulations, including but not limited to the Patents Ordinance and the Trade Description Ordinance. We require our employees and officers to maintain the confidentiality of proprietary information provided by our tenants during business activities, including trade secrets, ideas, and designs. In technology equipment part, we ensure that the computer hardware and software we purchased or installed are legally licensed.

6.5 Anti-Corruption

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

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

Anti-corruption trainings were arranged for all employees of the Group including the Board to systematically explain contents in relation to the business ethics and code of conduct. The purpose of the program is to help all employees understand the Group's values and the policy. Integrity is a vital part of the Group's business. The Group's management is committed to sending clear, and regular message to all employees and business partners that corruption and bribery are unacceptable and illegal.

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

During the reporting period, the Group complied with relevant laws and regulations relating to bribery, extortion, fraud and money laundering. There was no confirmed incident or public legal case regarding corruption in relation to the Group.

6.6 Supply Chain Management

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

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

For office supplies and office equipment, we give preference to products that are more environmentally friendly with energy-saving features. The management of the Company conducts a final review based on the information obtained.

7. Social – Employment and Labour Practices

Employees are the cornerstone of a successful business. We are dedicated to maintaining an inclusive, rewarding and safe work environment, where employees can enjoy their work, develop their career and grow together with the Group. Our commitment to being a caring and equal opportunity employer is reflected in our employment policies and employee engagement initiatives.

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

The Human Resource Department develops recruitment plans in accordance with the recruitment needs of various departments, and continuously introduce talents to join the Group through reputable recruiters and other channels. The Human Resource Department strictly implements the recruitment evaluation program, adheres to the selection principle of fairness and selection of high calibre, and provides equal job opportunities in accordance with their competence and abilities.

The Group is in strict compliance with all the applicable laws and regulations, including the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Minimum Wage Ordinance in Hong Kong. During the reporting period, the Group has not discovered any material violation of employment and labour related laws and regulations.

Benefits and Remuneration

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

Equal Opportunities

As an employer promoting equal opportunities, the Group strongly opposes to all discriminatory behaviour and is committed to constructing a fair and inclusive working environment for employees. We promote fair competition and prohibit discrimination or harassment against any employee on their race, age, gender, disability, pregnancy, religion, or marital status. The principle of equal opportunities is applied in all employment practices, including promotions, rewards, access to training and demotion.

The Group fully complies with all applicable laws and regulations, including the Sex Discrimination Ordinance, the Family Status Discrimination Ordinance, the Race Discrimination Ordinance and Disability Discrimination Ordinance in Hong Kong.

7. Social – Employment and Labour Practices (Cont'd)

7.1 Employee Profile

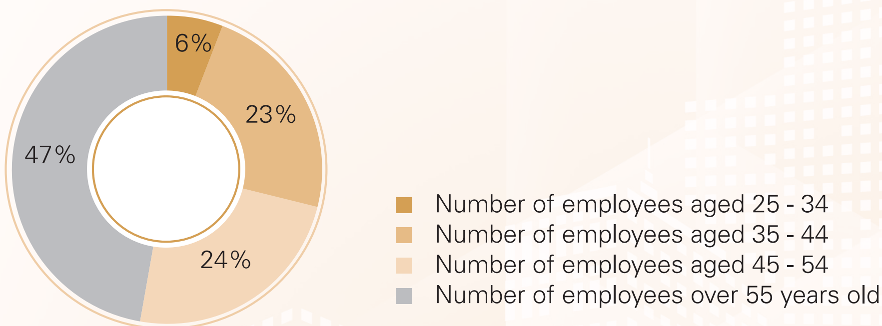
The Group commitment is to support the local community by hiring local employees. As at 31 March 2022, the Group employed a total of 17 employees. All our employees are local.

As an equal opportunity employer, the Group efforts are leaning towards of hiring the most talented people. Most of our employees are females and they account of 65%, whereas males employees account of 35% of the total workforces.

The graphs below show the workforce distribution by age group and employment type.

17 Total number of employees	6 Number of male employees	11 Number of female employees

Distribution of employees by age group



17 Full-time employees	0 Part-time employees
6 Number of management personnel	11 Number of general employees

Distribution of employees by geographic region

17

Hong Kong

7. Social – Employment and Labour Practices (Cont'd)

7.2 Health and Safety

Our policy on occupational health and safety is communicated through our employee handbooks and the Code. Maintaining a safe and healthy workplace is defined as a shared responsibility of all employees and officers. Employees are also educated to conduct work in a manner that is free of violence, drugs, alcohol and other restricted substances, as well as to report safety hazards, including unsafe equipment, practices or conditions when identified.

The Group focuses on two major areas to minimize occupational hazards and health and safety risks:

1. Occupational health management; and

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

During this COVID-19 pandemic, we checked staff body temperature daily and required staff to conduct COVID-19 antigen testing on a daily basis. Those with fever or respiratory symptoms were encouraged to wear surgical masks at home, refrain from work, avoid going to crowed places and seek medical advice promptly.

Other measures imposed by the Group to minimise the chance of staff being infected by COVID-19 in office area:

- Installation of hospital grade air purifiers in office area which can help lower the airborne particles ranging from large dust to ultra-fine particles such as allergens, bacteria and viruses. As such, its application will reduce the chance of occupants from inhaling excessive particles, being infected by allergens, bacteria and viruses, as well as lowering the potential risk of cross infection of infectious diseases such as cold and flu among the employees.

- Provide adequate hand hygiene facilities, such as 70% to 80% alcohol-based hand-rub to each employee and also in public areas, for example at the reception counter.

- Provide antigen test kit to employees and required them to test every day before leaving their homes for work.

- Employees who are infected with COVID-19 will work from home for a week until recovery before going back to work.

- Split teams seating arrangement for each department by relocating staff members to empty offices on different floors of our office building to create more space between employees.

7. Social – Employment and Labour Practices (Cont'd)

7.2 Health and Safety (Cont'd)

- Alternate and offer flexible working hours so that staff can avoid rush hours.
- Require employees to wear mask at all times in the office.
- Discourage visitors from entering into office.

Apart from accident prevention, we invested resources to enhance health consciousness among employees. All employees in the Group are covered by medical insurance.

Although the nature of jobs in the Group are low-danger positions, we do not take this lightly. The Group evaluates and identifies the risk of safety in our premises and various investment properties, and precautionary measures are recommended accordingly. For example, regular checks will be conducted on first aid kits and fire services equipment to ensure that they are placed in a prominent position and are properly maintained.

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

7.3 Development and Training

It is our policy to empower our employees through adequate training and development opportunities, with the objective of enhancing their job performance and capabilities for future advancement. Orientation and induction programs are organised for all new employees to understand the Group's work culture and environment.

Our employees contribute directly to the service delivery, they are also an integral part of maintaining the long-term relationship with many of our stakeholders, such as tenants and property management service providers. Therefore, we provide staff with a variety of trainings, ranging from anti-corruption, professional development, occupational health and safety to facilitate continuous improvement of our service quality and risk management.

7. Social – Employment and Labour Practices (Cont'd)

7.3 Development and Training (Cont'd)

To establish a better talent succession pipeline and to transfer knowledge of success, leadership programme and succession planning preparation are presented and communicated with management level employees.

Below shows the development and training data of the Group during the reporting period.

Average Training Hours Completed per Employee

16 hours

Percentage of Employees Received Training by Gender

66.7%

66.7%

Percentage of Employees Received Training by Employment Type

85.7%

Management

30%

Non-Management

7. Social – Employment and Labour Practices (Cont'd)

7.4 Labour Standard

We attach particular importance to the human rights of labours and has set out clear policies on human resources management for implementation: We strictly adhere to the minimum age provisions under applicable laws and regulations. In particular, we ensure that:

1. No employment of child labours – Job applicants must be at least 18 years old. Our Human Resources Department checks the identity documents of candidates before employment to prevent child labour.

2. No forced labour – Corporal punishment or coercion of any type related to work are prohibited.

3. Free chosen employment – We ensure that the terms of employment are voluntary. Our employees are free to leave the Company upon reasonable notice under our employment contract and/or Employment Ordinance of Hong Kong the related company regulation. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment, unless required by applicable law.

4. Remuneration and benefits – We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements of the Employment Ordinance of Hong Kong. We do not make any deductions from wages as disciplinary measure.

5. Equal opportunity and no discrimination policy – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job-related factors. Remuneration is determined with reference to performance, qualifications and experience.

6. Work overtime. All overtime work is performed on a voluntary basis, and employees may choose to apply for overtime work. Regulations on overtime work are clearly stated and explained under the relevant employee's contract.

7. Harassment and abuse – We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.

Our Human Resource Department has procedures in place to ensure that our policies are properly implemented throughout the Company. The Group abides by the Employment Ordinance of Hong Kong in relation to labour standards. During the reporting period, the Group did not discover any material non-compliance of labour rights and labour related laws and regulations.

8. Environment

We have developed a group-wide Environmental Management Plan which provides an overview of our commitment to environmental aspects and sets out how we resource and implement programs and procedures to achieve our goals. The intend of the Environmental Management Plan to minimize the adverse effects on the environmental from our daily operations and also to meet local statutory requirement. Our Plan is directed towards the following:

- Waste Management,
- Energy Saving,
- Environmental Protection,
- Recycling,
- Noise Reduction,
- Pollution Prevention,
- Legal Compliance

2022 marked the sixth year of our journey to reduce our operational footprint affecting our environment. It has also presented an opportunity for reflection. We attribute much of our progress to data monitoring, with accountability and ownership cascading to individual properties.

The Group is committed to green development concept at a sensible level. The awareness of environment protection is weaved into all the steps of the Company's operation.

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

8.1 Emissions

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

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

The Group's transport vehicles conformed to relevant environmental laws and regulations in Hong Kong.

The Group has implemented appropriate checks on their properties' equipment to prevent breakdown or inefficient operations which may negative affect air emissions.

8. Environment (Cont'd)

8.1 Emissions (Cont'd)

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

8.1.1 Air Emissions

Air emissions include nitrogen oxides ("NOx") and ("SOx") and other pollutants regulated under national laws and regulations. Table below is the Group's NOx and SOx emissions data from gaseous fuel (Towngas) consumption from one of our properties.

	2021/2022	
Air Emissions	**Amount**	**Intensity (Consumption/ Headcount)**
Nitrogen oxides ("NOx")	179.00 tons	10.52 tons
Sulphur oxides ("SOx")	0.89 tons	0.05 tons

8.1.2 Greenhouse Gas Emissions

Greenhouse gas ("GHG") emissions (or "carbon emissions") are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our investments, it is important to measure and evaluate our carbon footprint as a first step. This information will serve as a foundation of developing more relevant carbon reduction strategies and identify carbon reduction targets.

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

During the reporting period, the Group's GHG emissions of corporate office equated to a total of approximately 91.24 tonnes of CO2 equivalent ("tCO2e") and the detailed summary of the GHG emission is shown as below:

8. Environment (Cont'd)

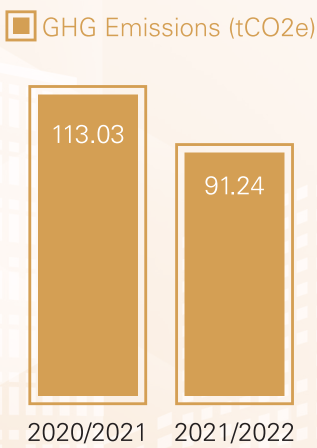
8.1 Emissions (Cont'd)

8.1.2 Greenhouse Gas Emissions (Cont'd)

GHG Emissions from Corporate Office

Greenhouse Gas	2021/2022 Amount	2021/2022 Intensity (Consumption/ Headcount)
Scope 1 Direct GHG emission	14.15 tCO2e	0.83 tCO2e
Scope 2 Indirect GHG emission	75.75 tCO2e	4.45 tCO2e
Scope 3 Other Indirect GHG emission (Business Air Travel)	1.34 tCO2e	0.07 tCO2e
Total GHG Emission	91.24 tCO2e	5.36 tCO2e

GHG Emissions of Corporate Office



Even though the reporting of Scope 3 emissions is voluntary, We continue to monitor and discloses the emissions to better assess their impact across the value chain and identifies the most effective ways to reduce them. Since 2018, we have included our business air travels in our calculations.

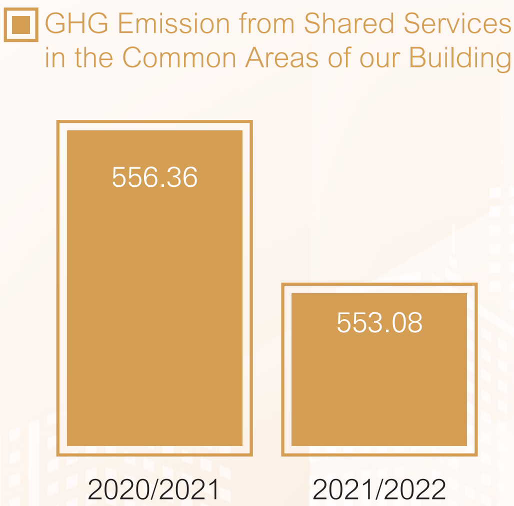
8. Environment (Cont'd)

8.1 Emissions (Cont'd)

8.1.2 Greenhouse Gas Emissions (Cont'd)

GHG Emissions from Shared Services in the Common Areas of our Building

	2021/2022	
Greenhouse Gas	**Amount**	**Intensity per square feet**
Scope 2 Indirect GHG emission (Electricity purchased – lounge and corridor lighting, lift energy consumption)	553.08 tCO2e	0.005 tCO2e



* *Data from buildings which are 100% owned by the Group.*

8. Environment (Cont'd)

8.1 Emissions (Cont'd)

8.1.3 Waste

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

For our corporate office, most of the wastes we generated is non-hazardous in nature, including general waste and food waste. The Group has implemented various programs to encourage employees to participate in waste reduction management, including:

- Encourage double-side printing and reuse of wastepaper.
- Encourage to use electronic channels for internal correspondence and communication.
- Used printing toners will be returned to recycling companies for recycle and reuse.

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

For our leasing properties, renovation waste is generated from works carried out by contractors or end users. We maintain regular communication with our contractors and tenants on renovation projects. A fitting-out guideline will be send to tenants prior to their property renovation. This procedure is to ensure that waste generated at our renovation site can prevent unlawful waste dumping. For hazardous waste, licensed service providers will be appointed by our outsourced property management service provider to collect and treat the waste properly before disposal.

8.2 Use of Resources

The Group strives to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we have implemented various energy saving and emission reduction measures.

User Behaviour

User behaviour has an impact on energy and resource consumption. As a property owner, we actively engage employee on the importance of energy conservation.

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

2) Switch off lobby lightings and certain elevators operation during non-busy hours;

3) Encourage staff to switch off office equipment, such as printers and computers (some equipment will enter into the sleep mode or energy saving mode under the standby condition); and

4) To ensure all fancoils in the office are switched off daily at the end of working days.

8. Environment (Cont'd)

8.2 Use of Resources (Cont'd)

Equipment Upgrade

Improving energy efficiency is a fundamental strategy to reduce GHG emissions associated with energy use.

Apart from the waste reduction actions mentioned above, a variety of energy conservation and efficiency initiatives have been implemented. We have retrofitted our existing commercial properties through initiatives such as:–

- chillers plants upgrading
- introduction of modern sensors to reduce lighting consumption
- installation of LED lighting

8.2.1 Energy Consumption

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

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

In this Report, the Group will disclose the energy consumption of the corporate office and electricity consumption from shared services in the common areas of our building.

Energy Consumption of our Corporate Office

During the Reporting Period, the Group had consumed 106,704 kWh of electricity in corporate office and 44,688 MJ of Towngas in properties profile.

As part of our annual energy management system review, we were able to take a closer look at our total energy consumption by sections. The results of this analysis show that we had a significant increase of electricity and Towngas consumption due to our employees spending more time indoor due to COVID-19 outbreak. The predominant consumer items responsible for total energy usage of our offices remain to be the computer, lighting and water heater.

8. Environment (Cont'd)

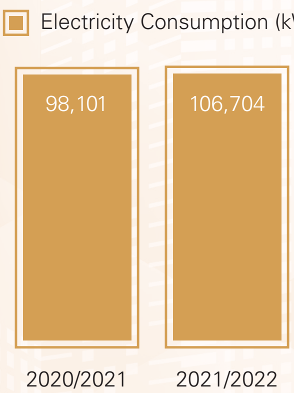
8.2 Use of Resources (Cont'd)

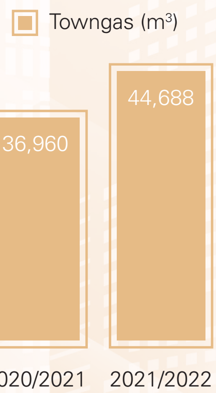
8.2.1 Energy Consumption (Cont'd)

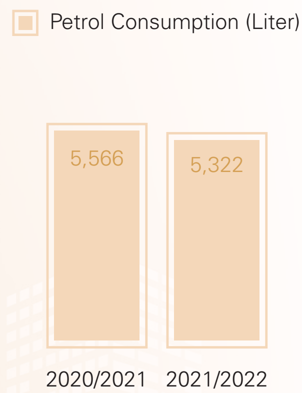
The Group has 3 private vehicles in Hong Kong that are used in our company's affairs. The vehicles are the second largest contributor to our emissions profile. During the reporting period, the vehicles consumed approximately 5,322 litres of petrol.

As the fuel price has been high and continues to escalate, the Group has implemented the fuel-efficient action plan to trim petrol use. The plan encourages drivers to plan the journey wisely before driving, adopt a gentle style of acceleration, and conduct regular servicing of vehicles including periodic tyres check because poor tyres condition will increase fuel consumption.

	2021/2022	
The non-renewable energy	**Amount**	**Intensity (Consumption/ Headcount)**
Electricity	106,704 kWh	6,276 kWh
Towngas	44,688 MJ	2,628 MJ
Petrol	5,322 litres	313 litres







8. Environment (Cont'd)

8.2 Use of Resources (Cont'd)

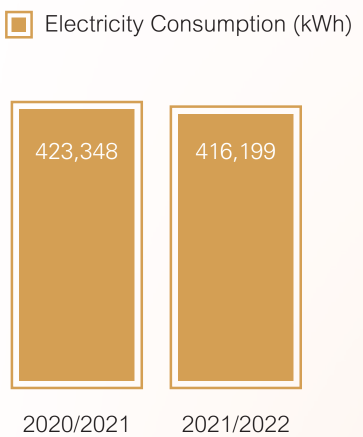
8.2.1 Energy Consumption (Cont'd)

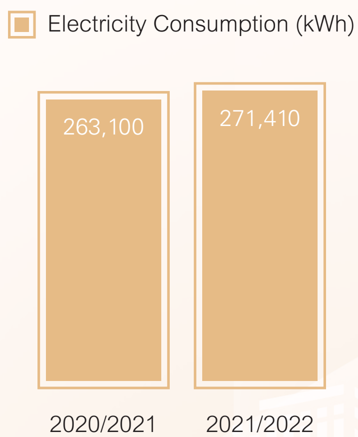
Energy Consumption from Shared Services in the Common Areas of our Building

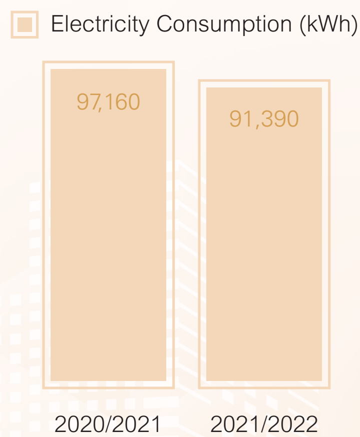
Tern Centre Tower II
416,199 kWh

Southgate Commercial Centre
271,410 kWh

The Wave
91,390 kWh







* *Data from buildings which are 100% owned by the Group.*

	2021/2022	
Energy	**Amount**	**Intensity/ per square feet**
Electricity consumption from shared services in the common areas of our building	778,999 kWh	7.57 kWh

* *Data from buildings which are 100% owned by the Group.*

8. Environment (Cont'd)

8.2 Use of Resources (Cont'd)

8.2.2 Water

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

In addition, we comply with all applicable Hong Kong laws regarding access to water and its treatment. Since we start to collect water consumption data, we have focused on reducing the water footprint in our own operations. We have undertaken measures to check water leakage from our buildings' drainage facilities.

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

During the reporting period, the Group's director's quarter water usage is 100 m^3.

At the moment, corporate office use distilled bottle water to provide drinking water to employees. Each bottle is about 19 Litres. During the reporting period, the Group's corporate office consumed 65 bottles of 18.9 litres drinking water and 13 bottles of 4.8 litres drinking water. And all the empty bottles were collected back by the water company for reuse purposes.

8.2.3 Paper Usage

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

During the reporting period, we have used 237 rims of A4 paper. The paper usage decreased by 40% compared to the previous year. The decrease of paper usage was mainly due to the Group adapted the electronics distribution of its annual report and interim report.

8.2.4 Metrics Target

We are aware of the importance of achieving the sustainable development of the Group. To meet our goal, we have set the following targets:

Greenhouse Gas Emissions Electricity Usage	We have targeted to reduce our greenhouse gas emission and electricity usage within the next 5 years at our existing level of business activities.
Water	We have targeted to reduce our water consumption at our existing level of business activities.
Waste	We have targeted to reduce our waste emission at our existing level of business activities.

8. Environment (Cont'd)

8.3 The Environmental and Natural Resources

The Group is well aware of its own obligations on environmental protection and continually explores the integration of the sustainable development concepts into corporate planning to consistently improve the environmental management system.

Apart from emissions and resources management, the Group is taking steps to minimise its impacts on the environment and natural resources. With a board array of our property's portfolios, the extent and nature of our impacts vary among different property buildings. We regularly review our operating practices and introduced a series of measures for specific buildings, ranging from energy saving measures to sustainable purchasing practices.

In addition, we make best efforts to minimize the adverse effects on the environmental from our daily operations. Our guidelines are directed towards the following:

- Waste Management,
- Energy Saving,
- Recycling,
- Noise Reduction,
- Pollution Prevention,
- Legal Compliance

During the reporting period, the Group was not aware of any significant impacts towards the environment and natural resources through daily operation. The Group continues to follow with all relevant environmental rules and regulations in Hong Kong.

8.4 Climate Change

Climate change presents risks and opportunities for our business and we are committed to identifying, assessing, and managing these to support our business and assets. Climate-related risks will persist in the foreseeable future and the nature of these risks depends on complex factors such as policy change, technology development and market forces.

We acknowledge that physical risks associated with climate change can trigger negative financial impacts, such as an increase of maintenance costs or a falling revenues resulting from disrupted operations. In recognition of these potential impacts, we are committed to manage our property assets with greater efforts to endure severe weather impacts and operate mindfully to minimize any potential disruptions at any kinds with minimal disruption. For transition risk, carbon emissions regulation may impact our business through the pricing of energy required to develop and operate our assets. Therefore, we have enhanced the energy efficiency of our property assets we continue to take a proactive approach in developing a sensible strategy that can generate value for our business while reducing our carbon emissions.

8. Environment (Cont'd)

8.4 Climate Change (Cont'd)

The table below describes key categories of climate related risks and opportunities that we have identified for our business.

Climate-related risks	Potential Positive Impact	Potential Negative Impact
Acute physical risks including typhoon, storm, and floods	Resilient assets that can withstand extreme weather can attract tenants and promote business continuity	Increase of maintenance expenses Potential higher insurance premium Higher manpower costs
Chronic physical risks including rise of temperature and sea levels	Assets that can accommodate future climate changes such as property that comes with proper insulation can prevent the need for retrofits	High cost to upgrade buildings to cope with changing climate conditions
Transition risks – Technology	Opportunity to use technology to reduce energy expenditure	Increase investment on energy efficiency equipment for the assets Higher human capital cost
Transition risks – Market	Attract investment from investor favouring companies with green building	Reduced attractiveness of our assets and our business from an investment perspective if we fail to manage climate risks appropriately
Transition risks – Reputation	Energy efficiency and climate resilience assets can help us to gain a positive reputation and remain as a preferred landlord for tenants	Reduced revenues if tenants choose competitor products

9. Social – Community Investment

With a vision to progress and prosper with our community, the Group is committed to giving back by contributing to the society. Despite the absence of an explicit policy in this regard, the Group supports employees' participation in volunteer services for good causes.

During the reporting period, due to the devastating impacts caused by the unprecedented pandemic on the society, the Group was unable to participate in any social activities. Nevertheless, the Group will continue to deliver on its commitments to social responsibility and take any opportunity to support the prosperity of communities after the pandemic.

Directors' Report

The board of directors of the Company ("Board") presents its annual report and the audited consolidation financial statements of the Company and its subsidiaries (collectively "Group") for the year ended 31 March 2022.

Principal Activities

The Company continues to act as an investment holding company. The principal activities of its principal subsidiaries and associates as at 31 March 2022 are set out in notes 35 and 19 to the consolidated financial statements respectively.

Business Review

The business review of the Group for the year ended 31 March 2022, as well as further discussion and analysis required by Schedule 5 to the Hong Kong Companies Ordinance including indication of likely future development in the Group's business and analysis of the Group's performance using financial key performance indicators are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 of the Annual Report.

Results and Appropriations

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 67.

An interim dividend of HK1.2 cents per share amounting to HK$3,327,000 was paid on 30 December 2021. The Directors now recommend the payment of a final dividend of HK1.5 cents per share to be paid to the shareholders on the Register of Members on 2 September 2022 amounting to HK$4,158,000.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 March 2022 amounted to approximately 478,813,000 (2021: 484,982,000).

Principal Risks and Uncertainties

A number of risks and uncertainties facing by the Group may affect its performance, business operations or future prospects. Some of which are inherent to the specific circumstances of the Group and some are from the external threats or challenges. Major risks are set out in the section headed "Management Discussion and Analysis" on pages 5 to 8 of this Annual Report.

Investment Properties and Property, Plant and Equipment

The Group revalued all of its investment properties at the end of the reporting period. The net deficit arising on revaluation, which has been charged directly to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$62.8 million.

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

Particulars of Major Properties Held by the Group

Details of the properties held by the Group at 31 March 2022 are set out on pages 130 to 132.

Share Capital

Details of movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

Directors

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

Executive Director
Mr. Chan Hoi Sow
Mr. Chan Yan Tin, Andrew
Ms. Chan Yan Wai, Emily
Mr. Chan Yan Lam, Alan (appointed on 24 November 2021)

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

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

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

Pursuant to Article 103 of the Articles of Association, Mr. Chan Hoi Sow, Ms. Chan Yan Mei, Mary-ellen and Ms. Cheung Chong Wai, Janet shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 93 of the Articles of Association, Mr. Chan Yan Lam, Alan shall hold office only until the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

Directors of Subsidiaries

The names of person who have served on the board of the subsidiaries of the Company during the year and up to the date of the report are Mr. Chan Hoi Sow, Mr. Chan Yan Tin, Andrew, Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan.

Directors' Interests in Shares

At 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Directors' Interests in Shares (Cont'd)

(i) Interest in the Company (long position)

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued shares
Chan Hoi Sow	Beneficial owner	Personal Interest	2,036,000	204,662,534	73.82
	Interest of controlled corporation	Corporate Interest (Note 1)	56,348,534		
	Founder of a discretionary trust	Other Interest (Notes 1 & 2)	172,100,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal Interest	792,000	172,892,896	62.36
	Beneficiary of a trust	Other Interest (Notes 2 & 3)	172,100,896		
Chan Yan Wai, Emily	Beneficiary of a trust	Other Interest (Notes 2 & 4)	172,100,896	172,100,896	62.07
Chan Yan Lam, Alan	Beneficiary of a trust	Other Interest (Notes 2 & 5)	172,100,896	172,100,896	62.07
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other Interest (Notes 2 & 6)	172,100,896	172,100,896	62.07

Notes:

1. The 56,348,534 shares are held as to 30,525,638 shares by Smartprint Development Limited and as to 25,822,896 shares held by Evergrade Investments Limited.

   The issued share capital of Smartprint Development Limited is beneficially owned by Mr. Chan Hoi Sow.

   The issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members. These 25,822,896 shares are also included in the 172,100,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.

2. The three references to 172,100,896 shares relate to the same block of shares in the Company. The 172,100,896 shares are held as to 146,278,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan Hoi Sow and the beneficiaries of which are Mr. Chan Hoi Sow and his family members. By virtue of the shareholdings as aforementioned, Mr. Chan Hoi Sow is deemed to be interested in 172,100,896 shares indirectly owned by Sow Pin Trust.

3. Mr. Chan Yan Tin, Andrew is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 172,100,896 shares indirectly owned by Sow Pin Trust.

Directors' Interests in Shares (Cont'd)

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

4. Ms. Chan Yan Wai, Emily is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Wai, Emily is deemed to be interested in 172,100,896 shares indirectly owned by Sow Pin Trust.

5. Mr. Chan Yan Lam, Alan is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Lam, Alan is deemed to be interested in 172,100,896 shares indirectly owned by Sow Pin Trust.

6. Ms. Chan Yan Mei, Mary-ellen is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Mei, Mary-ellen is deemed to be interested in 172,100,896 shares indirectly owned by Sow Pin Trust.

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

Name of Director	Name of the associated corporation	Capacity	Number of shares in associated corporation	Nature of interests	Percentage of the issued shares
Chan Hoi Sow	Noranger Company Limited	Interest of Controlled Corporation	40,000,000	Corporate Interest (Note)	100

Note:
The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan Hoi Sow and the beneficiaries of which are Mr. Chan Hoi Sow and his family members.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2022 or had been granted or exercised any such right during the period.

Arrangement to Purchase Shares or Debentures

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

Equity-Linked Agreements

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

Directors' Interests In Competing Business

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

Environmental Policies

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

The details regarding the Group's environment policies and performance can be found in the Environment, Social and Governance Report set out on pages 25 to 54 of this report.

Relationship with Key Stakeholders

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

Directors' Interest in Transactions, Arrangements or Contracts of Significance

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

Management Contracts

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

Permitted Indemnity Provision

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

Related Party Transactions

The related party transactions as disclosed in note 31 to the consolidated financial statements are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules during the year.

Substantial Shareholders

At 31 March 2022, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Substantial Shareholders (Cont'd)

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued shares
Chan Loo Kuo Pin	Interest of Spouse	Family Interest (Note 1)	204,662,534	204,662,534	73.82
Credit Suisse Trust Limited as trustee of Sow Pin Trust	Interest of Controlled Corporation	Corporate Interest (Notes 2, 3 & 4)	172,100,896	172,100,896	62.07
Brock Nominees Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2 & 3)	172,100,896	172,100,896	62.07
Global Heritage Group Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2 & 3)	172,100,896	172,100,896	62.07
Beyers Investments Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2, 3 & 4)	172,100,896	172,100,896	62.07
Noranger Company Limited	Beneficial Owner	Corporate Interest (Notes 2, 3 & 4)	146,278,000	146,278,000	52.76
Evergrade Investments Limited	Beneficial Owner	Corporate Interest (Notes 2, 3 & 4)	25,822,896	25,822,896	9.31
Smartprint Development Limited	Beneficial Owner	Corporate Interest (Note 5)	30,526,638	30,526,638	11.01
Builtwin Ltd.	Beneficial Owner	Corporate Interest (Note 6)	14,876,008	14,876,008	5.37
Hon Nicholas	Interest of Controlled Corporation	Corporate Interest (Note 6)	14,876,008	14,876,008	5.37

Notes:

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

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

Substantial Shareholders (Cont'd)

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

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

4. Credit Suisse Trust Limited as trustee of Sow Pin Trust is interested in 172,100,896 shares which are held as to 146,278,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Beyers Investments Limited and as to 50% by Mr. Chan Hoi Sow. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members as disclosed in the section headed "Directors' Interests in Shares".

5. Smartprint Development Limited is wholly owned by Mr. Chan Hoi Sow.

6. Builtwin Ltd. is wholly owned by Mr. Hon Nicholas.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2022, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Major Customers and Suppliers

The information in respect of the Group's sales and purchase attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2022	2021	**2022**	2021
The largest customer	**7.5%**	9.1%	–	–
Five largest customers in aggregate	**24.7%**	34.8%	–	–
The largest supplier	–		**8.4%**	13.3%
Five largest suppliers in aggregate	–		**31.2%**	41.9%

At no time during the year, have the Directors, their associates (as defined in the Rules Governing the Listing of Securities The Stock Exchange of Hong Kong Limited ("Listing Rules") or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interests in the above customers and suppliers. The Directors do not consider any one customer or supplier to be influential to the Group.

Remuneration Policy for Directors and Senior Management

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes in order to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

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

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

Sufficiency of Public Float

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

Compliance with the Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2022 and up to the date of this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Auditor

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

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 15 June 2022

Independent Auditor's Report

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

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

Opinion

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 128, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

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

Valuation of investment properties

Refer to notes 16 and 19 to the consolidated financial statements.

Key Audit Matter

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

The Group had investment properties held by subsidiaries of approximately HK$2,163,826,000 and associates of approximately HK$559,570,000 as at 31 March 2022 for which a loss arising on change in fair value was recognised and presented as "Fair value loss on investment properties" and included in "Share of results of associates" respectively in the consolidated statement of profit or loss and other comprehensive income. The fair value was determined by management with reference to the valuations performed by independent professional property valuers (the "Valuers") engaged by the Group.

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

- the determination of valuation techniques, which included direct comparison approach and income capitalisation approach;
- assumptions of market conditions; and
- the selection of different inputs in the models.

How our audit addressed the Key Audit Matter

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

- evaluating the competence, capabilities, independence and objectivity of the Valuers;
- obtaining and reviewing the valuation reports prepared by the Valuers;
- discussing the valuations with management and the Valuers and challenging the key estimates adopted and inputs used in the valuations, including those relating to market selling prices, market rents and capitalisation rates, by comparing them with historical rates and market observable data;
- evaluating the valuation methodologies used and the appropriateness of the key assumptions and parameters based on our knowledge of other property valuations for similar types of properties; and
- checking the accuracy and relevance of the input data used in the valuations on a sample basis.

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HLM CPA Limited
Certified Public Accountants
Wong Kam Hing
Practising Certificate Number: P05697
Hong Kong, 15 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Turnover	5	**57,128**	64,490
Property expenses		**(1,847)**	(1,479)
Gross profit		**55,281**	63,011
Fair value loss on investment properties	16	**(62,827)**	(182,854)
Loss on derecognition of debt instruments at fair value through other comprehensive income		**(13,269)**	(2,890)
(Loss) gain on disposal of financial assets at fair value through profit or loss		**(1,696)**	3,283
Unrealised (loss) gain on revaluation of financial assets at fair value through profit or loss		**(3,045)**	2,597
Impairment loss on debt instruments at fair value through other comprehensive income, net of reversal		**(8,705)**	(972)
Allowance for expected credit losses, net of reversal		**(4,586)**	(1,328)
Dividend income		**1,122**	636
Interest income	7	**28,163**	35,472
Other income, gains and losses, net	8	**5,811**	6,498
Administrative expenses		**(33,830)**	(32,452)
Loss from operations	9	**(37,581)**	(108,999)
Finance costs	10	**(2,279)**	(4,482)
Share of results of associates	19	**(10,169)**	(13,386)
Loss before taxation		**(50,029)**	(126,867)
Taxation	13	**(5,054)**	(7,362)
Loss for the year attributable to owners of the Company		**(55,083)**	(134,229)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Net (loss) gain arising on revaluation of debt instruments at fair value through other comprehensive income		**(98,552)**	51,348
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at fair value through other comprehensive income		**(1,498)**	11,390
Impairment loss on debt instruments at fair value through other comprehensive income		**8,784**	972
Reversal of impairment loss on debt instruments at fair value through other comprehensive income		**(79)**	–
Exchange differences arising on translation of foreign operations		**32**	1,016
Other comprehensive (expense) income for the year, net of tax		**(91,313)**	64,726
Total comprehensive expense for the year attributable to owners of the Company		**(146,396)**	(69,503)
Loss per share			
Basic and diluted	15	**(HK$0.20)**	(HK$0.48)

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment properties	16	**2,163,826**	2,226,650
Property, plant and equipment	17	**1,625**	2,823
Right-of-use assets	18	**15,584**	16,037
Interests in associates	19	**267,101**	280,778
Debt instruments at fair value through other comprehensive income	20	**183,531**	418,408
Financial assets at fair value through profit or loss	20	**430**	430
Deferred rental income		**977**	559
Deferred tax assets	26	**109**	88
		2,633,183	2,945,773
Current assets			
Trade and other receivables	21	**9,885**	15,059
Debt instruments at fair value through other comprehensive income redeemable within one year	20	**1,341**	24,073
Financial assets at fair value through profit or loss	20	**33,069**	44,723
Deferred rental income – current portion		**381**	308
Tax recoverable		**3,404**	1,313
Pledged bank deposits	22	**20,417**	69,606
Bank balances and cash	22	**134,713**	89,453
		203,210	244,535
Current liabilities			
Other payables and receipts in advance	23	**6,322**	7,958
Deposits received from tenants		**8,861**	14,523
Tax payable		**474**	2,186
Lease liabilities	24	**562**	1,047
Secured bank borrowings – due within one year	25	**3,006**	14,836
		19,225	40,550
Net current assets		**183,985**	203,985
Total assets less current liabilities		**2,817,168**	3,149,758

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deposits received from tenants		**9,994**	7,146
Lease liabilities	24	**286**	266
Secured bank borrowings – due after one year	25	**47,150**	228,685
Deferred tax liabilities	26	**32,929**	31,307
		90,359	267,404
Net assets		**2,726,809**	2,882,354
Capital and reserves			
Share capital	27	**229,386**	229,386
Reserves		**2,497,423**	2,652,968
Total equity		**2,726,809**	2,882,354

The consolidated financial statements on pages 67 to 128 were approved and authorised for issue by the Board of Directors on 15 June 2022 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Yan Tin, Andrew
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital HK$'000	Exchange reserve HK$'000	Fair value through other comprehensive income ("FVTOCI") reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2020	229,386	–	(65,731)	7,485	2,792,360	2,963,500
Loss for the year	–	–	–	–	(134,229)	(134,229)
Other comprehensive income:						
Net gain arising on revaluation of debt instruments at FVTOCI	–	–	51,348	–	–	51,348
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	–	–	11,390	–	–	11,390
Impairment loss on debt instruments at FVTOCI included in profit and loss	–	–	972	–	–	972
Exchange differences arising on translation of foreign operations	–	1,016	–	–	–	1,016
Total comprehensive income (expense) for the year	–	1,016	63,710	–	(134,229)	(69,503)
Dividends declared (note 14)	–	–	–	9,980	(9,980)	–
Dividends paid	–	–	–	(11,643)	–	(11,643)
At 31 March 2021 and at 1 April 2021	229,386	1,016	(2,021)	5,822	2,648,151	2,882,354
Loss for the year	–	–	–	–	**(55,083)**	**(55,083)**
Other comprehensive income:						
Net loss arising on revaluation of debt instruments at FVTOCI	–	–	**(98,552)**	–	–	**(98,552)**
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	–	–	**(1,498)**	–	–	**(1,498)**
Impairment loss on debt instruments at FVTOCI included in profit and loss	–	–	**8,784**	–	–	**8,784**
Reversal of impairment loss on debt instruments at FVTOCI	–	–	**(79)**	–	–	**(79)**
Exchange differences arising on translation of foreign operations	–	**32**	–	–	–	**32**
Total comprehensive income (expense) for the year	–	**32**	**(91,345)**	–	**(55,083)**	**(146,396)**
Dividends declared (note 14)	–	–	–	**7,485**	**(7,485)**	–
Dividends paid	–	–	–	**(9,149)**	–	**(9,149)**
At 31 March 2022	**229,386**	**1,048**	**(93,366)**	**4,158**	**2,585,583**	**2,726,809**

The retained profits (after dividend) of the Group include approximately HK$270,138,000 (2021: approximately HK$282,107,000) retained by associates of the Group.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Loss for the year		**(55,083)**	(134,229)
Adjustments for:			
Share of results of associates	19	**10,169**	13,386
Interest income	7	**(28,163)**	(35,472)
Dividend income		**(1,122)**	(636)
Interest expenses	10	**2,279**	4,482
Taxation	13	**5,054**	7,362
Fair value loss on investment properties	16	**62,827**	182,854
Depreciation of property, plant and equipment	17	**1,198**	1,243
Depreciation of right-of-use assets	18	**1,061**	1,154
Realised loss on derecognition of debt instruments at FVTOCI		**13,269**	2,890
Realised loss (gain) on disposal of financial assets at fair value through profit or loss ("FVTPL")		**1,696**	(3,283)
Unrealised loss (gain) on revaluation of financial assets at FVTPL		**3,045**	(2,597)
Provision for allowance for expected credit losses, net of reversal		**4,586**	1,328
Impairment loss on debt instruments at FVTOCI, net of reversal		**8,705**	972
Impairment loss on trade receivables		**–**	241
Gain on early termination of a lease		**(10)**	–
Exchange adjustments on debt instruments at FVTOCI		**(1,227)**	(1,240)
Exchange adjustments on investment properties	16	**–**	–
Operating cash flows before movements in working capital		**28,284**	38,455
Decrease (increase) in trade and other receivables		**1,439**	(3,478)
Increase in deferred rental income		**(491)**	(33)
(Decrease) increase in other payables and receipts in advance		**(1,516)**	1,609
Decrease in deposits received from tenants		**(2,814)**	(1,824)
Cash generated from operations		**24,902**	34,729
Profits tax paid		**(7,652)**	(3,216)
Profits tax refunded		**396**	1,198
Net cash generated from operating activities		**17,646**	32,711

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Investing activities			
Interest received		27,312	37,671
Dividend received from investments		1,097	636
Dividend received from an associate		1,800	4,732
Purchase of debt instruments at FVTOCI		(46,363)	(15,554)
Proceeds from derecognition of debt instruments at FVTOCI		191,880	144,425
Purchase of financial assets at FVTPL		(86,864)	(74,725)
Proceeds from disposal of financial assets at FVTPL		93,802	87,157
Net cash generated from investing activities		182,664	184,342
Financing activities			
Dividend paid		(9,149)	(11,643)
Interest paid	34	(2,373)	(4,675)
New bank borrowings raised	34	–	30,000
Repayment of bank borrowings	34	(193,365)	(92,933)
Repayment to associates	34	1,708	(274)
Repayment of lease liabilities	34	(1,089)	(1,086)
Net cash used in financing activities		(204,268)	(80,611)
Net (decrease) increase in cash and cash equivalents		(3,958)	136,442
Effect of foreign exchange rate changes		29	500
Cash and cash equivalents at beginning of the year		159,059	22,117
Cash and cash equivalents at end of the year		155,130	159,059
Cash and cash equivalents represented by:			
Bank balances and cash	22	134,713	89,453
Pledged bank deposits	22	20,417	69,606
		155,130	159,059

Notes to the Consolidated Financial Statements

1. General Information

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

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

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 35 and 19 to the consolidated financial statements respectively.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current or prior years and/or on the 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 that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]

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

New and amendments to HKFRSs in issue but not yet effective (Cont'd)

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle[1]
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments[1]
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations[1]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9[2]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

3. Significant Accounting Policies

Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. Significant Accounting Policies (Cont'd)

Basis of preparation (Cont'd)

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

3. Significant Accounting Policies (Cont'd)

Basis of consolidation (Cont'd)

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

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

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

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

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

Interests in subsidiaries

Interests in subsidiaries presented in the statement of financial position of the Company included in note 35 to the consolidated financial statements are stated at cost less any identified impairment loss.

Interests in associates

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

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

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

3. Significant Accounting Policies (Cont'd)

Interests in associates (Cont'd)

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The revenues are presented as turnover in the consolidated statement of profit or loss and other comprehensive income.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured at the fair value of the consideration received or receivable.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

3. Significant Accounting Policies (Cont'd)

Property, plant and equipment

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

Leasehold land and building in the course of construction for production or supply of goods or services or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

3. Significant Accounting Policies (Cont'd)

Impairment of non-financial assets

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

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

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

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

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

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. Significant Accounting Policies (Cont'd)

Lease (Cont'd)

The Group as lessee (Cont'd)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. Significant Accounting Policies (Cont'd)

Lease (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities (Cont'd)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Rental income which are derived from the Group's ordinary course of business are presented as turnover.

3. Significant Accounting Policies (Cont'd)

Lease (Cont'd)

The Group as a lessor (Cont'd)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

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

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

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

Retirement benefits scheme

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

3. Significant Accounting Policies (Cont'd)

Borrowing costs

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

Taxation

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

Taxation (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Provisions

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

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

Cash and cash equivalents

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

Financial instruments

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

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

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

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Effective interest method

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets that other than those categorised as amortised cost and FVTOCI above, are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

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

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

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, pledged bank deposits, bank balances and cash and debt instruments at FVTOCI), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investment in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. Significant Accounting Policies (Cont'd)

Financial instruments (Cont'd)

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

3. Significant Accounting Policies (Cont'd)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying accounting policies

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

Depreciation

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

The Group determines the allowance for credit losses in respect of trade receivables based on the ECLs. Allowance for credit losses in respect of trade receivables is assessed on lifetime ECL.

The policy for allowance for credit losses in respect of trade receivable of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowance may be required.

Deferred taxation on investment properties

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

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

Key sources of estimation uncertainty

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

Valuation of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2022 at their fair value of approximately HK$2,163,826,000 (2021: approximately HK$2,226,650,000). The fair value was based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. Turnover

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

	2022 HK$'000	2021 HK$'000
Property rental income	**57,128**	64,490

6. Operating Segments

The Group's operating activities are attributable to two operating segments under HKFRS 8 "Operating Segments", namely property investment and treasury investment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For property investment, the segment represents the operations of property investment and property leasing. Discrete financial information is provided to the Board on a property-by-property basis. Information provided includes net rental income (including gross rental income and property expenses), fair value loss on investment properties and share of results of associates. Individual properties with similar economic characteristics are aggregated into one segment for presentation purposes.

For treasury investment, the segment represents the investments in debt and equity securities. Financial information is provided to the Board on a company-by-company basis. Information provided includes (loss) gain on disposal of financial assets at FVTPL, loss on derecognition of debt instruments at FVTOCI, unrealised (loss) gain on revaluation of financial assets at FVTPL, interest income from debt instruments and dividend income from equity securities.

6. Operating Segments (Cont'd)

Segment information

For the year ended 31 March 2022

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Gross rental income	57,128	–	57,128
Property expenses	(1,847)	–	(1,847)
Net rental income	55,281	–	55,281
Fair value loss on investment properties	(62,827)	–	(62,827)
Loss on derecognition of debt instruments at FVTOCI	–	(13,269)	(13,269)
Loss on disposal of financial assets at FVTPL	–	(1,696)	(1,696)
Unrealised loss on revaluation of financial assets at FVTPL	–	(3,045)	(3,045)
Impairment loss on debt instruments at FVTOCI, net of reversal	–	(8,705)	(8,705)
Allowance for expected credit losses, net of reversal	(493)	(4,093)	(4,586)
Dividend income from equity securities	–	1,122	1,122
Interest income	69	28,094	28,163
Other income, gains and losses, net	4,656	1,155	5,811
Administrative expenses	(29,140)	(4,690)	(33,830)
Loss from operations	(32,454)	(5,127)	(37,581)
Finance costs	(26)	(2,253)	(2,279)
Share of results of associates	(10,169)	–	(10,169)
Loss before taxation	(42,649)	(7,380)	(50,029)
Taxation	(4,313)	(741)	(5,054)
Loss for the year	(46,962)	(8,121)	(55,083)

At 31 March 2022

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment assets	2,504,388	332,005	2,836,393
Segment liabilities	(54,499)	(55,085)	(109,584)
Net assets	2,449,889	276,920	2,726,809
Other segment information:			
Depreciation and amortisation	2,259	–	2,259

6. Operating Segments (Cont'd)

Segment information (Cont'd)

For the year ended 31 March 2021

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Gross rental income	64,490	–	64,490
Property expenses	(1,479)	–	(1,479)
Net rental income	63,011	–	63,011
Fair value loss on investment properties	(182,854)	–	(182,854)
Loss on derecognition of debt instruments at FVTOCI	–	(2,890)	(2,890)
Gain on disposal of financial assets at FVTPL	–	3,283	3,283
Unrealised gain on revaluation of financial assets at FVTPL	–	2,597	2,597
Impairment loss on debt instruments at FVTOCI, net of reversal	–	(972)	(972)
Allowance for expected credit losses, net of reversal	(635)	(693)	(1,328)
Dividend income from equity securities	–	636	636
Interest income	353	35,119	35,472
Other income, gains and losses, net	5,154	1,344	6,498
Administrative expenses	(27,578)	(4,874)	(32,452)
Profit (loss) from operations	(142,549)	33,550	(108,999)
Finance costs	(34)	(4,448)	(4,482)
Share of results of associates	(13,386)	–	(13,386)
Profit (loss) before taxation	(155,969)	29,102	(126,867)
Taxation	(5,669)	(1,693)	(7,362)
Profit (loss) for the year	(161,638)	27,409	(134,229)

At 31 March 2021

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment assets	2,586,358	603,950	3,190,308
Segment liabilities	(63,031)	(244,923)	(307,954)
Net assets	2,523,327	359,027	2,882,354
Other segment information:			
Depreciation and amortisation	2,397	–	2,397

6. Operating Segments (Cont'd)

Segment information (Cont'd)

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

Information on major customers

Included in revenue arising from rental income of approximately HK$57.1 million (2021: approximately HK$64.5 million) are rental income of approximately HK$4.3 million (2021: approximately HK$5.9 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 2022 and 2021.

7. Interest Income

	2022 **HK$'000**	2021 HK$'000
Effective Interest income from:		
– debt instruments at FVTOCI	**28,092**	35,018
– bank deposits	**71**	454
	28,163	35,472

8. Other Income, Gains and Losses, net

	2022 **HK$'000**	2021 HK$'000
Management fee income	**3,138**	3,223
Late payment service charges from tenants	**495**	816
Exchange gains, net	**2,035**	1,341
Government subsidies (note)	**–**	807
Gain on early termination of a lease	**10**	–
Others	**133**	311
	5,811	6,498

Note: The amount represents the government subsidies received from the Employment Support Scheme in Hong Kong.

9. Loss from Operations

	2022 HK$'000	2021 HK$'000
Loss from operations has been arrived at after charging:		
Staff costs (including directors' emoluments (note 11))	**25,552**	24,461
Retirement benefits scheme contributions	**249**	241
Total staff costs	**25,801**	24,702
Auditor's remuneration	**441**	460
Depreciation of property, plant and equipment	**1,198**	1,243
Depreciation of right-of-use assets	**1,061**	1,154
Exchange gains, net	**(2,035)**	(1,341)
Allowance for expected credit losses, net of reversal	**4,586**	1,328
Impairment loss on debt instruments at FVTOCI, net of reversal	**8,705**	972
Impairment loss on trade receivables	**–**	241
and after crediting:		
Dividend income from investments	**1,122**	636
Gain on early termination of a lease	**10**	–
Government subsidies	**–**	807
Gross rental income from investment properties	**57,128**	64,490
Less:		
Direct operating expenses from investment properties that generated rental income	**(734)**	(873)
Direct operating expenses from investment properties that did not generate rental income	**(1,113)**	(606)
Net rental income	**55,281**	63,011

10. Finance Costs

	2022 HK$'000	2021 HK$'000
Interest expenses on:		
Bank borrowings	2,253	4,391
Lease liabilities	26	34
Other finance charges	–	57
	2,279	4,482

11. Directors' Emoluments

(a) Directors' emoluments

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

For the year ended 31 March 2022

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chan Hoi Sow (Note 1)	–	8,998	–	8,998
Chan Yan Tin, Andrew	–	2,637	18	2,655
Chan Yan Wai, Emily	–	2,002	18	2,020
Chan Yan Lam, Alan (Note 2)	–	691	6	697
Non-executive director:				
Chan Yan Mei, Mary-ellen	130	–	–	130
Independent non-executive directors:				
Chan Kwok Wai	130	–	–	130
Tse Lai Han, Henry	130	–	–	130
Cheung Chong Wai, Janet	130	–	–	130
	520	14,328	42	14,890

11. Directors' Emoluments (Cont'd)

(a) Directors' emoluments (Cont'd)

For the year ended 31 March 2021

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chan Hoi Sow (Note 1)	–	8,994	–	8,994
Chan Yan Tin, Andrew	–	2,597	18	2,615
Chan Yan Wai, Emily	–	1,968	18	1,986
Non-executive director:				
Chan Yan Mei, Mary-ellen	130	–	–	130
Independent non-executive directors:				
Chan Kwok Wai	130	–	–	130
Tse Lai Han, Henry	130	–	–	130
Cheung Chong Wai, Janet	130	–	–	130
	520	13,559	36	14,115

Notes:

1. A rent-free accommodation with rateable value of approximately HK$997,000 (2021: approximately HK$997,000), is provided to Mr. Chan Hoi Sow by the Group.

2. Chan Yan Lam, Alan was appointed from manager to executive director of the Company on 24 November 2021.

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

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

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

During the years ended 31 March 2022 and 31 March 2021, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Directors' Emoluments (Cont'd)

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

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: Nil).

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

No loans, quasi-loans and other dealings in favour of directors or body corporate controlled by such directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year (2021: Nil).

12. Individuals with Highest Emoluments

The five highest paid employees of the Group during the year included three (2021:three) directors of the Company whose emoluments were included in note 11(a) above. The emoluments of the remaining two (2021: two) individuals were as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, allowance and other benefits in kind	**2,859**	3,488
Retirement benefits scheme contributions	**30**	36
	2,889	3,524

Their emoluments were within the following band:

	2022	2021
HK$1,000,001 to HK$2,000,000	**2**	2

During the years ended 31 March 2022 and 31 March 2021, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Taxation

	2022 HK$'000	2021 HK$'000
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**3,380**	5,744
Under (over) provision in prior years	**14**	(6)
Other jurisdiction		
Under provision in prior years	**59**	22
	3,453	5,760
Deferred taxation (note 26)		
Current year	**1,601**	1,602
	5,054	7,362

Hong Kong Profits Tax is calculated at 16.5% (2021: 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 before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(50,029)**	(126,867)
Tax at the Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	**(8,255)**	(20,933)
Tax effect of share of results of associates	**1,678**	2,209
Tax effect of expenses not deductible for tax purpose	**15,529**	31,776
Tax effect of income not taxable for tax purpose	**(4,237)**	(5,836)
Tax effect of tax losses not recognised	**379**	383
Tax effect of deductible temporary differences not recognised	**25**	20
Under provision of taxation in respect of prior years	**73**	16
Tax concession	**(126)**	(140)
Utilisation of tax losses previously not recognised	**–**	(134)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**(12)**	1
Tax charge for the year	**5,054**	7,362

14. Dividends

	2022 HK$'000	2021 HK$'000
Interim, paid – HK1.2 cents (2021: HK1.5 cents) per share	**3,327**	4,158
Final, proposed – HK1.5 cents (2021: HK2.1 cents) per share	**4,158**	5,822
	7,485	9,980

The final dividend of HK1.5 cents (2021: HK2.1 cents) per share has been proposed by the board of directors and is subject to approval by the shareholders of the Company in the annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

15. Loss Per Share

The calculation of loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$55,083,000 (2021: approximately HK$134,229,000) and on weighted average number of 277,232,883 (2021: 277,232,883) ordinary shares in issue during the year.

The Company had no dilutive potential ordinary shares outstanding in both the years ended 31 March 2022 and 2021. Accordingly, diluted loss per share is the same as basic loss per share.

16. Investment Properties

	2022 HK$'000	2021 HK$'000
FAIR VALUE		
At 1 April	**2,226,650**	2,408,988
Fair value loss recognised in profit or loss	**(62,827)**	(182,854)
Exchange adjustments	**3**	516
At 31 March	**2,163,826**	2,226,650

16. Investment Properties (Cont'd)

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

The carrying amount of investment properties shown above comprises:

	2022 HK$'000	2021 HK$'000
Properties in Hong Kong		
Medium-term lease	**1,394,500**	1,443,800
Long-term lease	**763,300**	777,600
	2,157,800	2,221,400
Properties in Canada		
Freehold	**6,026**	5,250
	2,163,826	2,226,650

Fair value measurement of the Group's investment properties

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

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

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

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

16. Investment Properties (Cont'd)

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

	Fair Value		Fair value hierarchy	Valuation techniques	Significant unobservable inputs and ranges	Relationship of unobservable inputs to fair value
	2022 HK$'000	2021 HK$'000				
Investment properties located in Hong Kong	**2,157,800**	2,221,400	Level 3	Combination of direct comparison method and income capitalisation method	Estimated market unit rent per square foot; (saleable area) HK$37-HK$207 (2021: HK$30 - HK$220), capitalisation rate 2.50%-3.75% (2021: 2.75%-3.75%) and market unit sales price per square foot	The increase/decrease in the market unit rent and/or sales price would result in an increase/decrease in the fair value of the property.
Investment properties located in Canada	**6,026**	5,250	Level 3	Direct comparison method	Estimated market unit sales price per square foot	The increase/decrease in the market unit sales price would result in an increase/decrease in the fair value of the property.

Details of the pledge of assets are set out in note 29 to the consolidated financial statements.

17. Property, Plant and Equipment

	Buildings held under long-term lease in Hong Kong HK$'000	Furniture and office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	3,205	6,139	9,056	3,774	22,174
ACCUMULATED DEPRECIATION					
At 1 April 2020	3,205	5,727	6,101	3,075	18,108
Provided for the year	–	183	856	204	1,243
At 31 March 2021 and 1 April 2021	3,205	5,910	6,957	3,279	19,351
Provided for the year	–	157	836	205	1,198
At 31 March 2022	3,205	6,067	7,793	3,484	20,549
CARRYING AMOUNTS					
At 31 March 2022	–	72	1,263	290	1,625
At 31 March 2021	–	229	2,099	495	2,823

18. Right-of-use Assets

	Leasehold land HK$'000	Leased property HK$'000	Total HK$'000
At 1 April 2021			
Carrying amounts	14,736	1,301	16,037
At 31 March 2022			
Carrying amounts	**14,644**	**940**	**15,584**
For the year ended 31 March 2022			
Depreciation charge	**92**	**969**	**1,061**
For the year ended 31 March 2021			
Depreciation charge	**94**	**1,060**	**1,154**

	2022 HK$'000	2021 HK$'000
Total cash outflow for leases	**1,089**	1,086
Additions to right-of -use assets	**1,128**	2,081
Gain on early termination of a lease	**10**	–

Leasehold lands and buildings are depreciated on a straight line basis over the term of the leases.

For both years, the Group leases a property for its director's quarter. Lease contract is entered into for fixed term of 2 years (2021: 2 years) for the property. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. Interests in Associates

	2022 HK$'000	2021 HK$'000
Share of net assets	**270,138**	282,107
Amounts due to an associate	**(3,037)**	(1,329)
	267,101	280,778

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

Details of the Group's principal associates at 31 March 2022 and 2021 are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group 2022	Percentage of equity attributable to the Group 2021	Principal activities
Win Easy Development Limited	Hong Kong	HK$2	50%	50%	Property investment
Home Easy Limited*	Hong Kong	HK$1	50%	50%	Property investment

* a wholly-owned subsidiary of Win Easy Development Limited

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

19. Interests in Associates (Cont'd)

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

Financial position as at 31 March 2022

	2022 HK$'000	2021 HK$'000
Current assets	3,176	963
Non-current assets (note (i))	562,820	588,093
Current liabilities	(8,968)	(8,862)
Non-current liabilities	(16,751)	(15,979)
Net assets	540,277	564,215
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of Win Easy	270,138	282,107

Note (i): Non-current assets include the investment properties with the carrying amounts of HK$559,570,000 (2021: HK$587,000,000) as at the end of the reporting period.

Profit or loss and other comprehensive income for the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Revenue	16,534	19,721
Loss for the year	(20,337)	(26,772)
Other comprehensive income	–	–
Total comprehensive expense for the year	(20,337)	(26,772)
Share of results of associates comprises:		
Share of loss of associates	(9,479)	(12,427)
Share of taxation of associates	(690)	(959)
	(10,169)	(13,386)
Dividend paid by Win Easy during the year	3,600	9,464

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

20. Financial Assets

	2022 HK$'000	2021 HK$'000
Debt instruments at FVTOCI: (note (i))		
Listed debt securities, with fixed interest ranging from 4.30% p.a. to 9.50% p.a. and with maturity of less than a year or perpetual maturity	**184,872**	442,481
Financial assets at FVTPL:		
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
Listed equity securities in Hong Kong	**19,350**	33,315
Listed equity securities in overseas	**13,719**	11,408
	33,069	44,723
Financial assets designated at FVTPL:		
Unlisted club debenture	**430**	430
	33,499	45,153
	218,371	487,634
Analysed for reporting purposes as:		
Debt instruments at FVTOCI:		
Current assets	**1,341**	24,073
Non-current assets	**183,531**	418,408
	184,872	442,481
Financial assets at FVTPL:		
Current assets	**33,069**	44,723
Non-current assets	**430**	430
	33,499	45,153
	218,371	487,634

Note:

(i) The debt instruments are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, these debt instruments are classified as at FVTOCI.

Financial assets at FVTOCI include debt instruments held by the Group and which are listed in recognised stock exchanges in Hong Kong and overseas, the issuers of which include those that are mainly engaged in, among others, the hospitality, banking and real estate businesses. Such debt instruments' maturity dates vary from 2023 to 2025 and include those that are perpetual.

As of 31 March 2022, such debt instruments at FVTOCI constitute approximately 6.52% (2021: 13.87%) of the total assets of the Group and no single debt instrument at FVTOCI has an outstanding amount representing over 5% of the Group's total assets.

The Group provided impairment allowance, net of reversal, of approximately HK$8,705,000 on debt instruments at FVTOCI for the current year (2021: HK$972,000).

Details of impairment assessment are set out in note 32.

At 31 March 2022 and 2021, listed debt instruments at FVTOCI and listed equity securities at FVTPL were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

21. Trade and Other Receivables

	2022 HK$'000	2021 HK$'000
Trade receivables – rental receivables	**2,193**	3,155
Less: Allowance for credit losses	**(492)**	(879)
	1,701	2,276
Other receivables		
Interest receivables	**8,781**	7,930
Utilities deposits	**1,945**	1,642
Prepayments	**1,013**	1,034
Management fee receivable from associates	**658**	714
Others (note (i))	**823**	2,156
	13,220	13,476
Less: Allowance for credit losses (note (ii))	**(5,036)**	(693)
	8,184	12,783
	9,885	15,059

Notes:

(i) The balance included amounts due from associates of approximately HK$306,000 (2021: HK$304,000) as at 31 March 2022.

(ii) The amount mainly represents a provision for allowance for expected credit losses of interest receivables on a debt instrument at FVTOCI.

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.

	2022 HK$'000	2021 HK$'000
31 – 60 days	**1,696**	1,590
61 – 90 days	**5**	306
Over 90 days	**–**	380
	1,701	2,276

21. Trade and Other Receivables (Cont'd)

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

	2022 HK$'000	2021 HK$'000
31 – 60 days	**1,696**	1,590
61 – 90 days	**5**	306
Over 90 days	**–**	380
	1,701	2,276

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 apart from the rental deposits received.

22. Pledged Bank Deposits and Bank Balances and Cash

	2022 HK$'000	2021 HK$'000
Pledged bank deposits	**20,417**	69,606
Bank balances and cash	**134,713**	89,453

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

Pledged bank deposits and bank balances and cash comprise cash and short-term bank deposits carrying effective interest rates at 0.001% to 0.69% (2021: 0.001% to 2.75%) per annum with an original maturity of three months or less.

22. Pledged Bank Deposits and Bank Balances and Cash (Cont'd)

Included in bank balances and cash are the following significant amounts denominated in currencies other than the functional currencies of the respective group entities:

	2022 HK$'000	2021 HK$'000
Renminbi ("RMB")	**2**	10,137
Canadian dollar ("CAD")	**172**	126
United States dollars ("USD")	**116,949**	53,168

23. Other Payables and Receipts in Advance

	2022 HK$'000	2021 HK$'000
Contract liabilities – receipts in advance in relation to rental income	**1,569**	3,112
Other payables		
Accrued interests	**45**	165
Dividend payable	**822**	763
Accrued expenses	**676**	794
Others	**3,210**	3,124
	6,322	7,958

The balance of contract liabilities as at 1 April 2021 of approximately HK$3,112,000 was recognised as revenue during the year.

24. Lease Liabilities

	2022 HK$'000	2021 HK$'000
Within one year	562	1,047
Within a period of more than one year but not exceeding two years	286	266
	848	1,313
Less: Amount due for settlement within one year shown under current liabilities	(562)	(1,047)
Amount due for settlement after one year shown under non-current liabilities	286	266

The weighted average incremental borrowing rate applied to lease liabilities was 2.50% (2021: 2.50%) p.a.

The Group recognised rental expenses from short-term leases of approximately HK$14,000 (2021: Nil) during the year.

25. Secured Bank Borrowings

	2022 HK$'000	2021 HK$'000
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	3,006	14,836
More than one year but not exceeding two years	3,050	15,048
More than two years but not exceeding five years	9,432	46,444
More than five years	34,668	167,193
	50,156	243,521
Less: Amounts due within one year shown under current liabilities	(3,006)	(14,836)
Amount due after one year	47,150	228,685

All of the bank loans were denominated in Hong Kong dollars with interest rate at 1.25% (2021: 1.25%) over HIBOR per annum.

At the end of the reporting period, the Group's banking facilities amounting to approximately HK$550,657,000 (2021: HK$744,021,000) were supported by (i) a corporate guarantee provided by the Company; (ii) certain investment properties held by subsidiaries; (iii) certain debt instruments at FVTOCI and financial assets at FVTPL held by subsidiaries; and (iv) certain pledged bank deposits held by subsidiaries. Details of the assets pledged are disclosed in note 29 to the consolidated financial statements.

26. Deferred Taxation

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

	Accelerated tax depreciation	Tax allowance on investment properties	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2020	(617)	30,234	29,617
Charge for the year (note 13)	(88)	1,690	1,602
At 31 March 2021 and 1 April 2021	(705)	31,924	31,219
Charge for the year (note 13)	(89)	1,690	1,601
At 31 March 2022	**(794)**	**33,614**	**32,820**

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

	2022	2021
	HK$'000	HK$'000
Deferred tax assets	**109**	88
Deferred tax liabilities	**(32,929)**	(31,307)
	(32,820)	(31,219)

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

At the end of the reporting period, the Group has unused tax losses of approximately HK$13,168,000 (2021: approximately HK$10,872,000) available for offset against future profits. Certain deferred tax assets on tax losses had not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

27. Share Capital

	2022		2021	
	Number of ordinary shares	HK$'000	Number of ordinary shares	HK$'000
Issued and fully paid	**277,232,883**	**229,386**	277,232,883	229,386

28. Pensions Scheme

The Group operates the Mandatory Provident Fund ("MPF") Scheme for all existing staff members of the Group.

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

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

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

The Group's cost for the MPF Scheme charged to profit or loss for the year ended 31 March 2022 in respect of MPF Scheme amounted to approximately HK$249,000 (2021: approximately HK$241,000).

During the years ended 31 March 2021 and 2022, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 31 March 2021 and 2022, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

29. Pledge of Assets

At the end of the reporting period, the Group's banking facilities amounted to approximately HK$550,657,000 (2021: approximately HK$744,021,000).

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

i) Investment properties with carrying amounts of HK$496,000,000 (2021: HK$525,300,000);

ii) Debt instruments at FVTOCI and financial assets at FVTPL with carrying amounts in total of approximately HK$144,290,000 (2021: approximately HK$412,892,000); and

iii) Bank deposits with carrying amounts of approximately HK$20,417,000 (2021: approximately HK$69,606,000).

At the end of the reporting period, the Group has utilised loan facilities from bank with an amount of approximately HK$50,156,000 (2021: approximately HK$243,521,000).

30. Operating Lease Arrangements

The Group as lessor

The investment properties of the Group are expected to generate average rental yields of approximately 2.64% (2021: approximately 2.90%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years (2021: four years).

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

	2022 **HK$'000**	2021 HK$'000
Within one year	**36,469**	41,209
In the second year	**14,055**	10,964
In the third year	**2,162**	2,900
In the fourth year	**–**	42
	52,686	55,115

31. Related Party Transactions

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

	2022 HK$'000	2021 HK$'000
Received from associates:		
Management fee income	**3,138**	3,223
Dividend income	**1,800**	4,732

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

32. Financial Instruments

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Debt instruments at FVTOCI	**184,872**	442,481
Financial assets at FVTPL	**33,499**	45,153
Financial assets at amortised cost		
– Financial assets included in trade and other receivables	**8,872**	14,025
– Pledged bank deposits	**20,417**	69,606
– Bank balances and cash	**134,713**	89,453
	382,373	660,718
Financial liabilities, at amortised cost		
Financial liabilities included in other payables and receipts in advance	**4,753**	4,846
Deposits received from tenants	**18,855**	21,669
Lease liabilities	**848**	1,313
Secured bank borrowings	**50,156**	243,521
	74,612	271,349

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

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

Foreign currency risk management

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

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

	Assets 2022 HK$'000	**Liabilities 2022 HK$'000**	Assets 2021 HK$'000	Liabilities 2021 HK$'000
RMB	**2**	**–**	10,137	–
CAD	**177**	**24**	126	30
USD	**312,631**	**–**	507,057	–

Sensitivity analysis

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

	Loss for the year		**Other comprehensive income**	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
RMB	**–**	507	**–**	–
CAD	**–**	–	**8**	5
USD	**15,632**	25,353	**–**	–

32. Financial Instruments (Cont'd)

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

Liquidity risk management

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

2022

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Financial liabilities included in other payables and receipts in advance	**4,753**	**–**	**–**	**–**	**–**	**4,753**	**4,753**
Deposits received from tenants	**1,208**	**7,653**	**8,206**	**1,788**	**–**	**18,855**	**18,855**
Lease liabilities	**–**	**576**	**288**	**–**	**–**	**864**	**848**
Secured bank borrowings	**–**	**3,733**	**3,733**	**11,200**	**37,109**	**55,775**	**50,156**
	5,961	**11,962**	**12,227**	**12,988**	**37,109**	**80,247**	**74,612**

2021

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Financial liabilities included in other payables and receipts in advance	4,846	–	–	–	–	4,846	4,846
Deposits received from tenants	837	13,686	4,905	2,241	–	21,669	21,669
Lease liabilities	–	1,068	267	–	–	1,335	1,313
Secured bank borrowings	–	16,858	16,858	50,572	196,766	281,054	243,521
	5,683	31,612	22,030	52,813	196,766	308,904	271,349

32. Financial Instruments (Cont'd)

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

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2022 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's pledged bank deposits and bank balances are deposited with banks of high credit quality in Hong Kong and overseas.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group's treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction. The Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty.

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

When making decisions on investments in debt securities, the management of the Group has made reference to the credit ratings of the issuers and assessed their financials. The Group reviews the credit and performance of the issuers periodically to monitor the credit risk on debt instruments. The Group determines individually whether the issuers of the debt instruments have suffered from significant increase in credit risk since initial recognition by comparing the credit rating and other qualitative benchmarks that affect the credit quality of the issuers at initial recognition and at the end of the reporting period. As there are no downgrading in the credit rating of the debt instruments, the credit loss allowances on individual debt instrument are measured on 12m ECL basis as the credit risk on financial instruments have not increased significantly since initial recognition.

During the year ended 31 March 2022, impairment allowance on debt instruments at FVTOCI, net of reversal, of approximately HK$8,705,000 (2021: HK$972,000) and the related interest receivables from the impaired-debt instruments of approximately HK$4,093,000 (2021: HK$693,000) were recognised in profit or loss.

32. Financial Instruments (Cont'd)

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

Interest rate risk management

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

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

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

Sensitivity analysis

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

If interest rates have been 100 basis-points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2022 would decrease/increase by approximately HK$278,000 (2021: approximately HK$945,000).

Market price risk management

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

As at 31 March 2022, carrying values of debt instruments at FVTOCI and financial assets at FVTPL which were stated at their fair values amounted to approximately HK$184,872,000 (2021: HK$442,481,000) and approximately HK$33,069,000 (2021: HK$44,723,000) respectively. For sensitivity analysis purpose, a 15% change in the fair value of corresponding financial instruments would result in the movement in investments revaluation reserve of approximately HK$27,731,000 (2021: HK$66,372,000) and changes in results for the year of approximately HK$4,960,000 (2021: HK$6,708,000) respectively.

32. Financial Instruments (Cont'd)

(c) Fair values measurement of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement are observable.

	Fair value as at		**Fair value hierarchy**	**Valuation technique and key input**
	31 March 2022 HK$'000	31 March 2021 HK$'000		
Financial assets at FVTOCI				
– Listed debt instruments	**184,872**	442,481	Level 1	Quoted market prices in active markets
Financial assets at FVTPL				
– Listed equity securities	**33,069**	44,723	Level 1	Quoted market prices in active markets
– Unlisted club debenture	**430**	430	Level 2	Market approach

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

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

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

33. Capital Risk Management

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

As at 31 March 2022, the Group's strategy remained unchanged as compared to 31 March 2021. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowing (net of bank balances and cash and pledged bank deposits) divided by total equity.

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

	2022 HK$'000	2021 HK$'000
Secured bank borrowings, net of bank balance and cash and pledged bank deposits	(104,974)	84,462
Total equity	2,726,809	2,882,354
Net debt to total equity ratio	N/A	2.93%

34. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due (from) to associates	**Interest on financing activities**	**Secured bank borrowings**	**Lease liabilities**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2020	1,603	392	306,454	284	308,733
Changes from financing cash flows:					
Raised	–	–	30,000	–	30,000
Repayment	(274)	–	(92,933)	(1,086)	(94,293)
Other changes:					
New lease entered	–	–	–	2,081	2,081
Interest expenses	–	4,448	–	34	4,482
Interest paid	–	(4,675)	–	–	(4,675)
At 31 March 2021 and 1 April 2021	**1,329**	**165**	**243,521**	**1,313**	**246,328**
Changes from financing cash flows:					
Raised	–	–	–	–	–
Repayment	**1,708**	–	**(193,365)**	**(1,089)**	**(192,746)**
Other changes:					
New lease entered	–	–	–	**1,128**	**1,128**
Early termination of a lease	–	–	–	**(530)**	**(530)**
Interest expenses	–	**2,253**	–	**26**	**2,279**
Interest paid	–	**(2,373)**	–	–	**(2,373)**
At 31 March 2022	**3,037**	**45**	**50,156**	**848**	**54,086**

35. Principal Subsidiaries

Details of the Company's wholly owned principal subsidiaries at 31 March 2022 are as follows:

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

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

36. Statement of Financial Position of the Company

At 31 March 2022

	2022 HK$'000	2021 HK$'000
Non-current assets		
Interests in subsidiaries (note a)	**34,192**	34,202
Interests in associates	**–**	–
Property, plant and equipment	**73**	218
	34,265	34,420
Current assets		
Trade and other receivables	**4,507**	4,156
Amounts due from subsidiaries (note a)	**650,003**	648,969
Bank balances and cash	**52,527**	49,187
	707,037	702,312
Current liabilities		
Other payables	**1,178**	1,059
Amounts due to subsidiaries (note a)	**24,729**	14,154
Amounts due to associates	**3,038**	1,329
	28,945	16,542
Net current assets	**678,092**	685,770
Net assets	**712,357**	720,190
Capital and reserve		
Share capital	**229,386**	229,386
Reserves	**482,971**	490,804
Total equity	**712,357**	720,190

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 June 2022 and are signed on its behalf by:

Chan Hoi Sow *Director*	**Chan Yan Tin, Andrew** *Director*

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

Note a: Interests in subsidiaries

	2022 HK$'000	2021 HK$'000
Unlisted shares, at cost	**44,656**	44,666
Provision for impairment	**(10,464)**	(10,464)
	34,192	34,202
Amounts due from subsidiaries	**650,003**	648,969
	684,195	683,171
Amounts due to subsidiaries	**24,729**	14,154

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

37. Reserves of the Company

	Dividend reserve HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2020	7,485	491,776	499,261
Profit and total comprehensive income for the year	–	3,186	3,186
Dividends declared	9,980	(9,980)	–
Dividends paid	(11,643)	–	(11,643)
At 31 March 2021 and 1 April 2021	5,822	484,982	490,804
Profit and total comprehensive income for the year	–	1,316	1,316
Dividends declared	7,485	(7,485)	–
Dividends paid	(9,149)	–	(9,149)
At 31 March 2022	**4,158**	**478,813**	**482,971**

38. Comparative Figures

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

Five-Year Group Financial Summary

Results

	Year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**57,128**	64,490	73,120	80,270	81,260
(Loss) profit for the year attributable to owners of the Company	**(55,083)**	(134,229)	(531,208)	25,534	110,255
Basic (loss) earnings per share (HK dollars)	**(0.20)**	(0.48)	(1.85)	0.08	0.36

Assets and Liabilities

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,836,393**	3,190,308	3,330,089	4,072,309	4,146,932
Total liabilities	**109,584**	307,954	366,589	332,392	411,077
Total equity attributable to owners of the Company	**2,726,809**	2,882,354	2,963,500	3,739,917	3,735,855

Particulars of Major Properties

Details of properties held by the Group at 31 March 2022 are as follows:

1. Leasehold Land and Buildings

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

2. Investment Properties

Location	Use	Category of lease	Group's interest
Hong Kong			
1. Shops no. G15, G16, G17 and G21 on ground floor and shops no. 8, 9A and 11A on 1st floor, site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2. Duplex shop F on ground floor and 1st floor, Burlington House, 90-94C Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

Location	Use	Category of lease	Group's interest
Hong Kong			
3. Shops no. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
4. Shop no. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
5. Shop no. 5 on ground floor, Lee Fat Building, 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	Commercial	Long-term	100%
6. The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
7. The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
8. The whole of ground floor, 1st, 2nd, 3rd, 5th, 6th, 12th and 20th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9. The whole of lower ground floor, ground floor and 1st floor, Tern Centre Tower I, 237 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
10. The whole of Tern Centre Tower II, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
11. The whole of 11th, 16th and 18th floors, Unit 2 and Unit 3 of 13th floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

Particulars of Major Properties

Location	Use	Category of lease	Group's interest
Hong Kong			
12. Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong	Carpark	Long-term	100%
13. Shops no. 1, 2 and 6 on ground floor and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
14. The whole of 9th floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

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