太興置業有限公司

TERN PROPERTIES COMPANY LTD.

Stock Code 股份代號 : 277

2026 ANNUAL REPORT

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Corporate Information

Board of Directors

Executive Directors

Chan Yan Wai, Emily
(Joint Chairman and Co-Managing Director)
Chan Yan Lam, Alan
(Joint Chairman and Co-Managing Director)
Chan Yan Tin, Andrew

Independent Non-Executive Directors

Chan Kwok Wai
Cheung Chong Wai, Janet
Tse Lai Han, Henry
Lee Siu Kau

Audit Committee

Chan Kwok Wai *(Chairman)*
Cheung Chong Wai, Janet
Tse Lai Han, Henry
Lee Siu Kau

Remuneration Committee

Chan Kwok Wai *(Chairman)*
Chan Yan Tin, Andrew
Tse Lai Han, Henry
Lee Siu Kau

Nomination Committee

Chan Kwok Wai *(Chairman)*
Chan Yan Wai, Emily
Tse Lai Han, Henry
Lee Siu Kau

Principal Bankers

UBS AG
Hang Seng Bank Limited
The Bank of East Asia, Limited

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

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower,
The Landmark, 11 Pedder Street,
Central, Hong Kong

Solicitors

Deacons
Woo, Kwan, Lee & Lo

Website

www.tern.com.hk

Stock Code

277

Chairman's Statement

We are 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 2026.

Financial Results

The revenue of the Group for 2026 was HK$48.4 million, a decrease of 4% from last year. The decrease in revenue was primarily due to the declining in rental income upon lease renewal of the Group's properties during the year.

The loss attributable to the owners of the Company for the year was HK$26.4 million. Such loss was primarily attributable by the decrease in the fair value of the Group's investment properties. Loss per share amounted to HK9.5 cents.

Dividend

The Board of Directors of the Company has resolved to recommend a final dividend of HK1.4 cents per share for the year ended 31 March 2026. Together with the interim dividend of HK0.3 cent per share that have already been paid, the total dividends for the year will amount to HK1.7 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting ("2026 Annual General Meeting") to be held on Wednesday, 19 August 2026, will be payable on Friday, 11 September 2026 to the shareholders on the Register of Members of the Company on Wednesday, 2 September 2026.

Closure of Register Members

The record date for determining the entitlement of the holders of shares to attend and vote at the meeting will be Wednesday, 19 August 2026. To ascertain the entitlement of the shareholders to attend and vote at the 2026 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 14 August 2026 to Wednesday, 19 August 2026, 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 2026 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 13 August 2026.

The record date for determining the entitlement of the holders of shares to the proposed final dividend will be Wednesday, 2 September 2026. Subject to the approval of the shareholders at the 2026 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 2026. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Monday, 31 August 2026 to Wednesday, 2 September 2026, 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 Friday, 28 August 2026.

Chairman's Statement

Business Outlook

The global environment remained fluid and full of uncertainty during the year. The volatility stemming from energy shocks, the Middle East conflict, raising inflation, supply shocks and geopolitical conflicts continue to disrupt global trade flows and supply chains, leaving the global economic outlook highly uncertain.

In Hong Kong, the office and retail leasing market continues to face challenges, with rental income impacted from change of consumers behavior. Although a continued recovery in overall visitor arrivals to Hong Kong, the outbound travel by Hong Kong residents remains active, leading to an outflow of weekend cross-border spending and challenging domestic retail activity. Furthermore, the shift in consumer shopping habits to online platforms has also dampened the performance of the retail and real estate markets.

Despite the continued challenges in the retail and office sectors, supportive measures from the Hong Kong SAR Government such as new commercial land sales and new policies permitting the conversion of hotel and commercial properties into student accommodation is helpful and expected to alleviate market inventory pressure. In addition, the Hong Kong SAR Government's talent support schemes and various mega-events aim to boost visitor inflow, which are expected to stimulate economic activity and business expansion. Meanwhile, the stock market performance is expected to maintain the equity market vibrant and boosting market confidence in Hong Kong.

Looking ahead, resilience has become the Group's solid foundation and principle in face of the complex and constant changing market environment. The Group will continue to remain vigilant in addressing various challenges, while seizing high-quality investment opportunities that arise from time to time.

Appreciation

On behalf of the Board of Directors, we would like to take this opportunity to express our sincere appreciation to all our employees for their commitment, dedication and continuing support. At the same time, we would also like to express our gratitude to our shareholders, fellow Directors, customers and business partners for their guidance and support.

Chan Yan Wai Emily, Chan Yan Lam Alan
Joint Chairmen

Hong Kong, 17 June 2026

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 158 to 160 to the consolidated financial statements.

Financial Highlights

In millions of Hong Kong dollars except per share amounts

		2026	2025
For the year	Revenue	**48.4**	50.4
	Loss for the year attributable to owners of the Company	**26.4**	54.5
As at 31 March	Capital & reserves attributable to owners of the Company	**2,518.7**	2,523.0
	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	**0.6%**	1.5%
Per Share	Net worth per share (HK$)	**9.1**	9.1
	Basic loss per share (HK cents)	**9.5**	19.6
	Final dividend declared per share (HK cents)	**1.4**	1.4

Financial Review

Financial Results

Revenue

The revenue derived from the Group's investment in properties for the year was HK$48.4 million (2025: HK$50.4 million). The decrease in revenue was primarily due to the declining in rental income upon lease renewal of the Group's properties during the year.

Treasury investments income

The Group's treasury investment income for the year consists of debt securities interest income of HK$2.0 million (2025: HK$4.1 million), share dividend income of HK$4.9 million (2025: HK$3.3 million) and bank interest income of HK$10.9 million (2025: HK$12.1 million). A decrease in total treasury investment income by HK$1.7 million was mainly due to decrease in bank time deposit interest rate during the year.

The Group disposed certain of its financial assets at fair value through profit or loss with a realised gain of HK$0.6 million (2025: HK$0.1 million) on listed equity securities during the year.

An unrealised gain on revaluation of financial assets at fair value through profit or loss of HK$17.3 million (2025: HK$15.4 million) on listed equity securities was recorded during the year.

Financial Review (Cont'd)

Financial Results (Cont'd)

Treasury investments income (Cont'd)

The Group disposed certain of its debt securities at fair value through other comprehensive income with a realised loss of HK$36.1 million (2025: HK$0.1 million) during the year.

There was a net reversal of impairment loss on debt instruments at fair value through other comprehensive income of HK$3.7 million (2025: an impairment loss of HK$0.9 million) was recorded during the year. The fair value loss is mainly derived from debt securities being bought in previous periods.

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

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the year was HK$26.4 million (2025: HK$54.5 million).

- A decrease in fair value of investment properties upon revaluation at year end. Decrease in fair value of investment properties of HK$40.5 million (2025: HK$91.1 million) was reported during the year.

- A decrease in rental income of the Group to HK$48.4 million during the year (2025: HK$50.4 million) as compared with last year.

- A significant loss incurred on disposal of certain debt securities at fair value through other comprehensive income with a realised loss of HK$36.1 million during the year (2025: HK$0.1 million).

Loss per share

Loss per share for the year ended 31 March 2026 was HK9.5 cents (2025: HK19.6 cents). The proposed final dividend of HK1.4 cents (2025: HK1.4 cents) per share will make a total distribution of interim and final dividend of HK1.7 cents (2025: HK1.7 cents) per share for the full year.

Liquidity, Bank Borrowings and Finance Costs

At 31 March 2026, the Group's net current assets including bank balances and cash of HK$294.1 million (2025: HK$276.9 million), an increase of HK$17.2 million from last year.

Financial Review (Cont'd)

Liquidity, Bank Borrowings and Finance Costs (Cont'd)

At 31 March 2026, the Group's banking facilities amounting to HK$39.2 million (2025: HK$42.2 million) were secured by certain of its investment properties with an aggregate fair value amounting to HK$256.8 million (2025: HK$261.4 million). At 31 March 2026, HK$38.7 million (2025: HK$41.7 million) was utilised.

At 31 March 2026, although the Group have bank borrowings of HK$38.7 million (2025: HK$41.7 million), the Group have significant net cash balance on hand.

Of the total bank borrowings at 31 March 2026, HK$3.1 million or 8.0% (2025: HK$3.0 million or 7.2%) were repayable within one year. HK$3.2 million or 8.3% (2025: HK$3.1 million or 7.4%) were repayable after one year but within two years. HK$10.1 million or 26.1% (2025: HK$9.7 million or 23.3%) were repayable after two years but within five years. HK$22.3 million or 57.6% (2025: HK$25.9 million or 62.1%) were repayable after five years.

The Group's finance costs for the year ended 31 March 2026 was HK$0.9 million (2025: HK$1.3 million), a decrease by 30.8% as compared with last year. This was primarily due to the decrease in principal amount of bank loan during the year.

Capital Commitments

As at 31 March 2026, the Group did not have any capital commitments.

Shareholders' Funds

At 31 March 2026, the Group's shareholders' funds decreased to HK$2,518.7 million (2025: HK$2,523.0 million) was mainly due to decrease in the fair value of the Group's investment properties. The net asset value per share was HK$9.1 (2025: HK$9.1).

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.

Financial Review (Cont'd)

Contingent Liabilities

As at 31 March 2026, 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.
- At 31 March 2026, the Group's held investment properties amounting to HK$1,897.7 million, a decrease of HK$40.2 million from last year. The decrease was mainly driven from the decrease in fair value of the Group's investment properties in Tsim Sha Tsui and Sheung Wan.
- 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 2026, the portfolio of securities investments and treasury products of HK$142.1 million (2025: HK$127.9 million) comprised debt securities of HK$24.6 million (2025: HK$33.0 million) and listed equity investments of HK$117.5 million (2025: HK$94.9 million). There was no single listed debt security over 5% of the Group's total assets.

Employees

At 31 March 2026, the total number of staff of the Group was 18 (2025: 18). The total staff costs including Directors' emoluments amounted to HK$26.2 million (2025: HK$25.9 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.

Operational Review (Cont'd)

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 external consultant 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 Yan Wai, Emily

Ms. Chan, aged 61, has been appointed as an Executive Director, the Vice Chairman and Joint Chairman and Co-Managing Director of the Company on 15 June 2017, 13 November 2019 and 22 August 2024 respectively. She is also a member of the Nomination Committee and a director of various members of the Group. She holds Bachelor of Arts degree from the University of British Columbia. She has been serving in the Group for over 20 years and is currently the General Manager of operations and corporate functions. Ms. Chan is a daughter of Mr. Chan Hoi Sow, who is the founder of the Group and controlling shareholder of the Company who has resigned as the Chairman of the Board due to his retirement on 22 August 2024, as well as sister of Mr. Chan Yan Lam, Alan and Mr. Chan Yan Tin, Andrew who are the Executive Directors of the Company.

Chan Yan Lam, Alan

Mr. Chan, aged 56, has been appointed as an Executive Director and Joint Chairman and Co-Managing Director of the Company on 24 November 2021 and 22 August 2024 respectively. He also serves as a director for various members of the Group. He has been a part of our Group since 2010, bringing with him over 30 years of work experience in North America and across Asia. Throughout his career, Mr. Chan has gained extensive knowledge in various fields such as corporate finance, project finance, treasury management, corporate planning, investment management, project development, construction and engineering. He holds a Bachelor degree in Engineering from the Faculty of Applied Science, at The University of British Columbia, Canada, and graduated as a Sloan Fellow with a Master's degree from the Graduate School of Business, at Stanford University, United States of America. Mr. Chan is a son of Mr. Chan Hoi Sow, who is the founder of the Group and controlling shareholder of the Company who has resigned as the Chairman of the Board due to his retirement on 22 August 2024, as well as brother of Ms. Chan Yan Wai, Emily and Mr. Chan Yan Tin, Andrew who are the Executive Directors of the Company.

Chan Yan Tin, Andrew

Mr. Chan, aged 62, 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, who is the founder of the Group and controlling shareholder of the Company who has resigned as the Chairman of the Board due to his retirement on 22 August 2024, as well as brother of Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan who are the Executive Directors of the Company.

Chan Kwok Wai

Mr. Chan, aged 67, 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, Hing Yip Holdings Limited (previously known as China Investments Holdings Limited) and National Electronics Holdings Limited respectively, all of which are listed public companies in Hong Kong.

Tse Lai Han, Henry

Mr. Tse, aged 61, 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 59, 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 aviation executive with over 30 years' experience in leading complex procurement and financing projects.

Lee Siu Kau

Mr. Lee, aged 49, has been appointed as an Independent Non-Executive Director of the Company on 26 February 2026. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Lee holds a Bachelor of Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University. He is an accomplished financial executive and visionary leader with extensive multinational experience across North America, Europe, and Asia. He possesses deep expertise in financial management, treasury operations, corporate governance, strategic financial planning, asset management, and investment management, built through senior leadership roles in complex regional organisations. Mr. Lee is an Associate of The Hong Kong Institute of Certified Public Accountants and Fellow of The Association of Chartered Certified Accountants.

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 C1 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 2026, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision C.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.

Culture

The Group instills a culture that emphasizes on quality and strives for improvement in its operations. The Group specialised in investments in properties for leasing and earned its reputation for being known as a preferred landlord for tenants.

Directors play a leading role in promoting the Company's desired culture. Management and employees instill the culture across the organisation through different channels from time to time. The desired culture is developed and reflected consistently in the operating practices of the Group. The Company's purpose, values and strategy align with the Company's culture.

Property, Values, Strategy and Culture

The Group's core businesses comprise property investments for rental as well as securities investments. Its investment properties are primarily located in Hong Kong which include retail and office assets. Most of the investment properties of the Group are highly accessible and strategically located in prime retail and commercial areas, and generate stable and recurrent rental income for the Group.

Apart from the aforesaid, the Group has equity and debt securities investment with the aim to yield enhancement for treasury management.

The Group believes that the stable rental income from its investment properties, together with securities investment, forms a diversified cash flow stream which allows the Group to weather the cyclicality of the real estate business.

Board of Directors

The Board comprises seven members, three of which are Executive Directors, namely Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan as the Joint Chairmen and Co-Managing Directors of the Board and Mr. Chan Yan Tin, Andrew. Four members are Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry, Ms. Cheung Chong Wai, Janet and Mr. Lee Siu Kau.

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 2026. 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.

Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan, the Joint Chairmen of the Board and Co-Managing Directors of the Company, and Mr. Chan Yan Tin, Andrew, an Executive Director of the Company, are brother and sister. 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 C.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. Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan are the Joint Chairmen of the Board and Co-Managing Directors of the Company. Ms. Chan Yan Wai, Emily and Mr. Chan Yan Lam, Alan have been performing the duties of both the chairman and the chief executive. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. As four 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.

All of the Independent Non-Executive Directors have been appointed for a term 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(A) 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 Nomination Committee will review the policy from time to time to ensure its continued effectiveness. During the year under review, the Nomination Committee has considered and reviewed the board diversity policy and considered that the existing board diversity policy is suitable and effective.

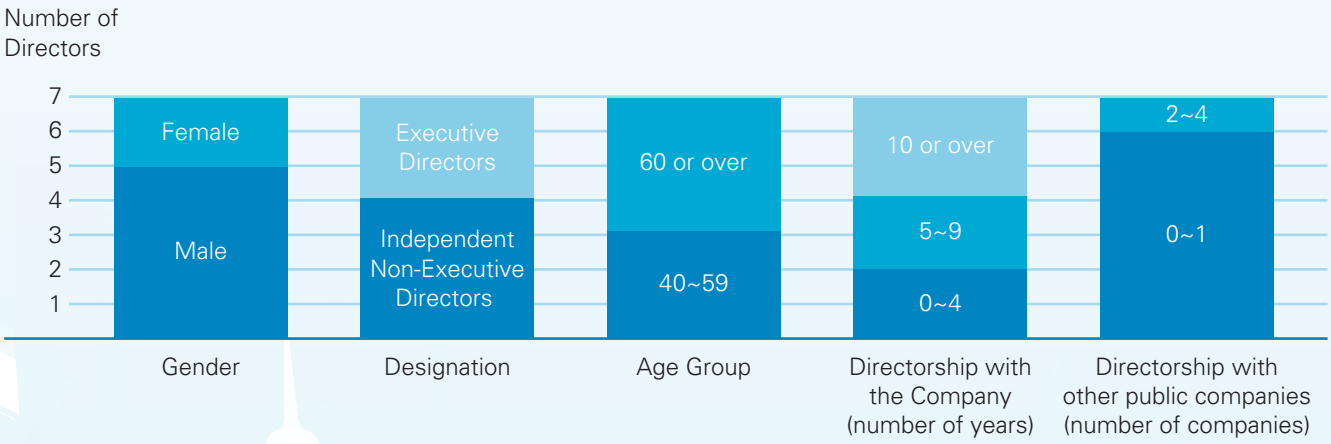
The Board recognises the importance of gender, social and ethnic diversity, and the strengths diversity brings to Board effectiveness. Diversity is taken into account in its broadest sense when considering succession plans and appointments at both Board and senior management level, as well as more broadly across the Group.

Board Diversity Policy (Cont'd)

In line with the Board diversity policy, the Board remains committed to increasing diversity at Board and senior management level to ensure we reflect the markets and societies we serve. During the year, the Board has two female Directors and five male Directors. The elements of the Board Diversity Policy have substantially been included in the current Board composition. It was concluded in the Board's yearly review that the Board Diversity Policy was effective during the year.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee male to female ratio of the Group as at 31 March 2026 is 71:29. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce.

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 Yan Wai, Emily	√	√
Chan Yan Lam, Alan	√	√
Chan Yan Tin, Andrew	√	√
Independent Non-Executive Directors		
Chan Kwok Wai	√	√
Cheung Chong Wai, Janet	√	–
Tse Lai Han, Henry	√	–
Lee Siu Kau	√	√

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 (namely 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 (including shareholder's communication policy, board diversity policy and mechanism on independent views to the Board);

(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 four Independent Non-Executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry, Ms. Cheung Chong Wai, Janet and Mr. Lee Siu Kau. Mr. Chan Kwok Wai and Mr. Lee Siu Kau have 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 auditors' 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 auditors' management letter and management's response;

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

(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. Three meetings were held during the year ended 31 March 2026. 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.

During the year ended 31 March 2026, the Audit Committee reviewed the Group's financial statements for the year ended 31 March 2026 and for the six months ended 30 September 2025 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 2026 with the Directors.

Remuneration Committee

The Remuneration Committee has been established since March 2005. It comprises three Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry, Mr. Chan Yan Tin Andrew and Mr. Lee Siu Kau. 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; and

(e) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Three meetings were held during the year ended 31 March 2026. 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 2026, 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 Executive Directors and senior management and director's fee of independent non-executive Directors and the director's fee of new independent non-executive Director.

The executive Directors are also the senior management of the Company. Details of the remuneration of executive Directors for the year ended 31 March 2026 are set out in Note 11 to the audited consolidated financial statements contained in this Annual Report.

The Remuneration Policy for directors is set out in the section headed "Remuneration Policy for Directors and Senior Management" on page 80 of the Annual Report.

Nomination Committee

The Nomination Committee has been established since 1 April 2012. It comprises three Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Ms. Chan Yan Wai, Emily, Mr. Tse Lai Han, Henry and Mr. Lee Siu Kau. 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;

(e) support the Company's regular evaluation of the Board's performance.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2026. 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 2026, the Nomination Committee reviewed the structure, size and composition of the Board, the board diversity policy and nomination policy and made recommendation on the appointment of Mr. Lee Siu Kau as an Independent Non-Executive Director and made recommendations to the Board on the re-appointment of directors, assessed the independence of independent non-executive directors and evaluated the contribution of the Board members to the Group.

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 2026 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Chan Yan Wai, Emily	4/4	–	–	1/1	1/1
Chan Yan Lam, Alan	4/4	–	–	–	1/1
Chan Yan Tin, Andrew	4/4	–	3/3	–	1/1
Independent Non-Executive Directors					
Chan Kwok Wai	4/4	3/3	3/3	1/1	1/1
Tse Lai Han, Henry	4/4	3/3	3/3	1/1	1/1
Cheung Chong Wai, Janet	4/4	3/3	–	–	1/1
Lee Siu Kau (newly appointed on 26 February 2026)	–	–	1/3	–	–

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 C3 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 2026.

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 2026 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 Auditors' Report on pages 82 to 85.

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 a 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 2026, 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.

Annual reviews were conducted to follow up on the significant risks and related actions as documented in the corporate risk register, and the results were reported to the Audit Committee. The year end risk management assessment was 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 paid and payable to HLB Hodgson Impey Cheng Limited in respect of annual audit and non-audit services of the Group for the year of 2026 is set out below:

Type of services provided by the external auditors

	HK$'000
Audit service	592
Non-audit services	89
	681

Corporate Governance Report

Company Secretary

The Company's secretarial functions are outsourced to external service provider, Ms. Lee Ka Man ("Ms. Lee"), as its Company Secretary and Ms. Wong Sze Wing, 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 18 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.

Shareholder's Communication Policy

The Board has adopted a Shareholder's Communication Policy which sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. In summary, the Company establishes different communication channels with shareholders and stakeholders including: (i) provision of printed or electronic copies of corporate communications; (ii) provision of timely corporate information on the company website; (iii) holding of annual general meetings to provide platform for shareholders to raise comments and exchange views with the Board; and (iv) arrangement in serving the shareholders in respect of all share registration matters.

The Board reviewed the validity of implementation of the Shareholder's Communication Policy during the year and considered that it remained effective in enhancing timely, transparent, accurate and open communication between the Company and its shareholders.

2025 Annual General Meeting

At the 2025 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 adoption of new articles of association 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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong), 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 consist 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 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 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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) can make a request to circulate a resolution for an AGM if they represent:

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

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

The request:

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

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

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

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

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

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

Constitutional Documents

During the year, the Company adopted the new Articles of Association of the Company with effect from 20 August 2025. The Company's Articles of Association are available on both the Company's and the Stock Exchange's websites. During the year ended 31 March 2026, there was no change in the Company's constitutional documents.

Mechanisms Ensuring Independent View

The Board has adopted effective mechanisms to ensure independent views and input are available to the Board. Subject to approval of the Chairman of the Board, Directors may seek, at the Company's expense, independent legal, financial or other professional advices from advisors independent to those advising the Company as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively. The Board will review the implementation and effectiveness of such mechanisms on an annual basis.

The Board reviewed the validity of implementation of such mechanisms during the year and considered that such mechanisms are effective.

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.

Anti-corruption policy and whistleblowing policy

The Company has adopted an anti-corruption policy to govern acceptance of advantages by employees and a whistleblowing policy to provide guidance to employees and external stakeholders to report concerns about any suspected or actual improprieties relating to the Group.

Environmental, Social and Governance Report

1. About the Report

Overview

Tern Properties Company Limited's (the "Company") and its subsidiaries (together referred to as the "Group") are pleased to present the Group's ninth 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 2025/2026 which began on 1 April 2025 and ended on 31 March 2026 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 set out in the Environmental, Social and Governance Reporting Code (the "ESG Code") contained in Appendix C2 to the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("HKEX"), including the climate-related disclosure requirements under Part D of the ESG Code, taking into account the practical circumstances and business operations of the Group.

The Report has been prepared through a systematic process, including stakeholder engagement, materiality assessment, data collection and verification, and review of the Report content to ensure that the disclosures fairly present the Group's ESG performance and management approach during the reporting period.

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 service provider 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.

1. About the Report (Cont'd)

Reporting Principles

This report has been prepared in accordance with the reporting principles set out in the Stock Exchange's "Environmental, Social and Governance Reporting Code":

Materiality: this report engages with stakeholders to identify current significant environmental, social and governance issues, taking into account the nature of the Company's business, how it operates and where it operates.

Quantitative: this report provides key performance indicators in quantitative terms, where feasible, with explanations to enable readers to assess and verify the performance of the Company's environmental, social and governance policies and practices.

Balance: This report provides comprehensive disclosure of the Company's environmental, social and governance performance based on objective facts and avoids statements or presentation formats that might inappropriately influence readers' decisions or judgments.

Consistency: this report uses consistent disclosure statistics for the current and successive years to allow readers to compare the Company's performance from year to year.

2. Our Approach to ESG

In 2025/26, Hong Kong's commercial property market showed early signs of stabilisation, although the recovery remained uneven across locations and asset quality. The office market continued to face elevated vacancy and rental pressure, particularly in non-core and secondary buildings, while prime locations such as Central showed more resilient leasing demand and signs of rental stabilisation. Market activity was increasingly driven by cost-sensitive relocations, "flight-to-quality" demand, and selective expansion by financial services and Mainland enterprises.

The retail property market also remained challenging, affected by cautious consumer sentiment, changing tourist spending patterns and cross-border consumption. At the same time, leasing demand gradually became more experience-led, with landlords and retailers seeking to enhance tenant mix, customer experience and asset competitiveness.

Against this market backdrop, Tern Properties continued to adopt a prudent and asset-focused management approach. As a property investor owning commercial and retail assets in Hong Kong, the Group remained focused on maintaining stable occupancy, managing operating costs and preserving long-term asset value. Sustainability has become increasingly relevant to this strategy, as tenants, investors and regulators place greater emphasis on energy efficiency, building resilience, climate risk management and transparent ESG disclosure.

During the year, the Group continued to work with its property management companies to monitor property-level environmental performance where data is available, including common area energy consumption, water usage and waste management. The Group also recognises that tenant-related energy consumption and climate-related data remain key areas for future enhancement, particularly under the evolving HKEX ESG Code Part D climate disclosure requirements.

2. Our Approach to ESG (Cont'd)

Looking ahead, Tern Properties will continue to strengthen the sustainability and adaptability of its property portfolio by improving data collection, enhancing engagement with property managers and tenants, and considering practical measures to improve energy efficiency, occupant well-being and climate resilience. Through a cautious yet forward-looking approach, the Group aims to support long-term value creation while contributing to the sustainable development of Hong Kong's built environment.

Board Statement

The Board of Directors is committed to maintaining high standards of corporate governance, integrity and accountability, and to overseeing the Group's long-term sustainable development.

The Board has overall responsibility for the Group's ESG strategy, governance and reporting, including the review of material ESG issues and climate-related matters. In fulfilling this responsibility, the Board considers ESG factors in the context of the Group's business operations and property investment activities, and oversees the preparation of this ESG Report in accordance with the requirements of HKEX.

During the year, the Board reviewed the Group's material ESG issues and monitored developments in climate-related disclosure requirements under Part D of the HKEX ESG Code. The Board also oversaw the Group's approach to identifying and assessing climate-related risks and opportunities, including physical risks such as typhoons and extreme weather, and transition risks such as evolving regulatory requirements and changing tenant expectations.

The Board is supported by the ESG Executive Committee, which is responsible for coordinating ESG data collection, monitoring relevant ESG and climate-related issues, and reporting to the Board on a regular basis.

The Board will continue to adopt a prudent and practical approach to ESG management, taking into account the Group's business circumstances and evolving regulatory requirements, with the objective of enhancing the resilience and long-term value of the Group's property portfolio.

2. Our Approach to ESG (Cont'd)

Corporate Governance

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

The Group has in place an internal policy of business and ethical conduct reflecting the Company's business principles and practices for matters which may have ethical implications. Such policy 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 infection, 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.

More on corporate governance and risk management can be accessed on our Annual Report 2025/2026.

2. Our Approach to ESG (Cont'd)

ESG Executive Committee

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 assets within Tern Properties. Led by the Managing Director and 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 advice 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.

Tern Properties Board of Directors	Responsible for: ultimate supervision of Tern Properties' ESG performance
Managing Director & ESG executive committee	Responsible for: Formulate ESG policy, discussing ESG issues and monitor the ESG performance
Different functions team from property management service provider	Responsible for: Implementation and delivery of ESG tasks. Ensure that ESG policy are consistent across the Group's properties and buildings

2. Our Approach to ESG (Cont'd)

ESG Executive Committee (Cont'd)

In 2025/2026, our ESG Executive Committee focused on:

- **Tenant Retention and Operational Stability** – In light of continued challenges in Hong Kong's office and retail leasing markets, we remained focused on maintaining stable occupancy and preserving the competitiveness of our property portfolio. We worked closely with our property management companies to maintain service quality and identify practical opportunities to improve operational efficiency.

- **Climate Disclosure and Regulatory Readiness** – During the year, we enhanced our ESG data collection and disclosure processes in response to the updated requirements under the Hong Kong Exchanges and Clearing Limited ESG Code, including the climate-related disclosure requirements under Part D. Where certain data, such as Scope 3 greenhouse gas emissions, was not readily available, we adopted a practical approach based on available information and the "comply or explain" principle.

- **Sustainable Asset Management** – We continued to consider practical measures to improve the energy efficiency and environmental performance of our properties, with a view to supporting long-term asset value and tenant satisfaction.

Looking ahead, we will continue to adopt a prudent and practical approach to ESG integration, taking into account the Group's business circumstances and evolving regulatory requirements, while seeking to create sustainable long-term value for our stakeholders.

3. 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.

1	2	3	4	5
Identification of ESG issues	Prioritisation with stakeholders	Validation by ESG Executive Committee	CEO Review	Board Approval

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 identity and business value.

3. Our Stakeholders (Cont'd)

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

Stakeholders	Engagement Method	Issues	Action
Regulators	• Government communication • Mail • Notice	• Legal Compliance • Green Awareness	• Beyond compliance, we actively elevate industry standards on property management, as well as health and safety standard.
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 • Financial resilience	• 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.

3. Our Stakeholders (Cont'd)

Stakeholders	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	• Performance review and annual appraisal • Training • Internal communication channels such as emails, notice boards and hotline. • Periodic team event	• 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.

3. Our Stakeholders (Cont'd)

Stakeholders	Engagement Method	Issues	Action
Communities	• Proper communication with the affected neighbourhood before and during renovation.	• Property renovation disruption • Create employment • Improve the neighbourhood environment • Create a unique value while preserving the original charm of the neighbourhood	• We believe that open and honest dialogue with the community in our neighbourhood is key for the long-term prospects of the Company. • We work closely with the neighbourhood to ensure that disruption to the neighbourhood is minimized during a renovation while benefiting the neighbourhood after the renovation.

4. Materiality Assessment

In 2025/2026, the Group continued to conduct a structured materiality assessment to identify and prioritise the ESG issues most relevant to its business and stakeholders. A total of 13 ESG topics were reviewed through consultation with internal departments and consideration of stakeholder expectations.

The assessment reflected the evolving business environment and regulatory landscape, including the enhanced ESG and climate-related disclosure requirements under the HKEX ESG Code. Issues such as Service Quality and Responsibility, Waste Management, Security, Energy Efficiency, Environmental and Climate Change were identified as key priorities, reflecting the Group's commitment to maintaining a safe and well-managed property portfolio while responding to increasing stakeholder expectations regarding sustainability and transparency.

Other topics, including Development and Training, Community Investment, were assessed as relatively less material in light of the Group's focused business model as a property investment company with a lean organisational structure. Nevertheless, these issues continue to be monitored as part of the Group's overall ESG management approach.

The results of the materiality assessment provide an important basis for determining the content of this ESG Report and guiding the Group's sustainability priorities. The Group will continue to review its material ESG issues periodically to ensure that its disclosures and management approach remain aligned with stakeholder expectations and the changing business environment.

4. Materiality Assessment (Cont'd)

Very Important Material Issues	Important Material Issues	Less Important Material Issues
Service Quality and Responsibility	Anti-Corruption	Community Investment
Security	Retaining Talent	
Waste Management	Development and Training	
Energy Efficiency	Ethical Conduct	
Environmental & Climate Change	Tenant Heath and Safety	
Water Management	Data Security and Privacy	

5. Social – Operating Practices

5.1 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.

5. Social – Operating Practices (Cont'd)

5.1 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 • 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

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 the negative effects on anyone in our renovation.

5. Social – Operating Practices (Cont'd)

5.1 Services Responsibility – Leasing Properties (Cont'd)

Property Hygiene Measure

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.

5.2 Tenants Satisfaction Survey

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

Apart from that, the Group 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.

5. Social – Operating Practices (Cont'd)

5.2 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	18.75%	10.53%	12.50%
Good	25.00%	36.84%	25.00%
Satisfactory	25.00%	31.58%	37.50%
Acceptance	12.50%	10.53%	12.50%
Unsatisfactory	6.25%	5.26%	6.25%
No Opinion/Not applicable	12.50%	5.26%	6.25%

* *Only include data from buildings which are 100% owned by Tern.*

5.3 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.

5. Social – Operating Practices (Cont'd)

5.4 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.

5.5 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 policy was issued to 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 employee 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.

5.6 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 and 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 periodically.

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.

6. 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.

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

6.1 Employee Profile

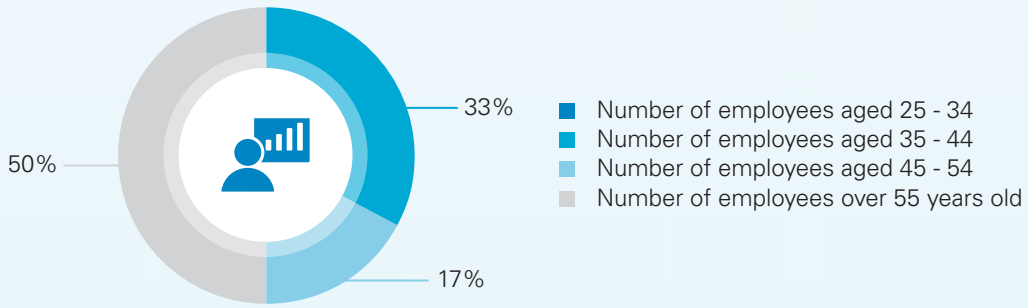
The Group commitment is to support the local community by hiring local employees. As at 31 March 2026, the Group employed a total of 18 employees. All our employees are local.

As an equal opportunity employer, the Group efforts are leaning towards of hiring the most talented people. Most of our employees are females and they account of 78%, whereas males employees account of 22% of the total workforces.

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

	18 Total number of employees		**4** Number of male employees		**14** Number of female employees

Distribution of employees by age group



	18 Full-time employees		**0** Part-time employees
	5 Number of management personnel		**13** Number of general employees

Distribution of employees by geographic region

18

Hong Kong

During the Reporting Period, Tern Properties maintained a zero employee turnover rate, reflecting a stable and committed workforce. This achievement underscores the Group's dedication to employee well-being, job satisfaction, and long-term talent retention. Our supportive work environment, clear development pathways, and strong corporate culture have contributed to high employee morale and loyalty. We remain committed to sustaining this positive trend through continued investment in human capital and employee engagement initiatives.

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

6.2 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.

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 fatalities and lost days due to work injury and did not discover any material non-compliance of occupational health and safety related laws and regulations.

6.3 Development and Training

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 introduction 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 offer 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.

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

6.3 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 of Employee

16 hours

Percentage of Employees Received Training by Gender

50%
Male

36%
Female

Percentage of Employees Received Training by Employment Type

80%
Management

31%
Non-Management

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

6.4 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 wage 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. 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 employees' contract.

7. Harassment and abuse – We do not tolerate any physical, sexual, psychological, 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.

7. 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 is 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

This year marked the ninth 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.

7.1 Emissions

As the Group is principally engaged in property investment and treasury investment and does not operate any manufacturing facilities, its direct environmental impact remains relatively limited. The Group's operations are primarily office-based and are conducted within office premises located in its investment property portfolio.

The Group's main environmental impacts during the reporting period were primarily associated with electricity consumption, greenhouse gas ("GHG") emissions, business travel, employee commuting, non-hazardous waste generation and wastewater discharge arising from office operations and property management activities.

7. Environment (Cont'd)

7.1 Emissions (Cont'd)

During the reporting year, the Group further enhanced its greenhouse gas disclosure by expanding its Scope 3 greenhouse gas assessment to include downstream leased assets, particularly tenant-related electricity consumption, based on the best available operational information during the reporting period.

The Group's vehicle operations complied with relevant environmental laws and regulations in Hong Kong. In addition, the Group continued to implement routine inspection and maintenance measures for building facilities and equipment to reduce unnecessary energy consumption and improve operational efficiency.

During the reporting period, the Group complied with all relevant environmental laws and regulations in Hong Kong that have a significant impact on its business operations. There were no material fines or penalties relating to environmental non-compliance, nor any significant incidents involving pollution or damage to the surrounding environment.

7.1.1 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 and the company vehicle's petrol consumption.

	2025/2026	
Air Emissions	**Amount (kg)**	**Intensity (Consumption/ Headcount) (kg)**
Nitrogen oxides ("NOx")	8.268	0.459
Sulphur oxides ("SOx")	0.094	0.005
Particulate Matter	0.049	0.003

7.1.2 Greenhouse Gas Emissions

Greenhouse gas ("GHG") emissions (or "carbon emissions") are closely related to climate change, which may present businesses with both long-term risks and opportunities. To better understand, quantify and manage carbon and climate-related impacts, risks and opportunities associated with its operations and property portfolio, the Group has continued to strengthen its greenhouse gas assessment and disclosure practices during the reporting year.

The Group's principal sources of greenhouse gas emissions were mainly associated with electricity consumption within corporate office operations and common areas of the Group's investment properties, as well as indirect emissions arising from business travel, employee commuting and downstream leased assets, particularly tenant-related electricity consumption.

7. Environment (Cont'd)

7.1 Emissions (Cont'd)

7.1.2 Greenhouse Gas Emissions (Cont'd)

During the reporting period, the Group disclosed greenhouse gas emissions under the following categories:

- GHG emissions from corporate office operations;
- GHG emissions from shared services in the common areas of the Group's properties; and
- Scope 3 greenhouse gas emissions by category.

The Group believes that greenhouse gas assessment and disclosure provide an important foundation for enhancing climate-related management, identifying potential emission reduction opportunities and supporting future sustainability initiatives and climate-related disclosures. For further details regarding the Group's climate-related governance, strategy, risk management, metrics and targets, please refer to Chapter 9 Climate related Disclosure (Part D).

GHG Emissions from Corporate Office Operations:

Greenhouse Gas	2025/2026 Amount (tCO_2e)	2025/2026 Intensity (Consumption/ Headcount) (tCO_2e)	2024/2025 Amount (tCO_2e)	2024/2025 Intensity (Consumption/ Headcount) (tCO_2e)	2023/2024 Amount (tCO_2e)	2023/2024 Intensity (Consumption/ Headcount) (tCO_2e)
Scope 1 Direct GHG emission	11.71	0.65	10.81	0.60	12.70	0.79
Scope 2 Indirect GHG emission	34.96	1.94	46.79	2.60	56.21	3.51
Total GHG Emission	46.66	2.59	57.60	3.20	68.91	4.30

GHG Emissions from Shared Services in the Common Areas of the Group's Properties

Greenhouse Gas	2025/2026 Amount (tCO_2e)	2025/2026 Intensity/per square feet (tCO_2e)
Scope 2 Indirect GHG emission (Electricity purchased – lounge and corridor lighting, lift energy consumption)	325.93	0.0032

* *Only include data from those buildings which are 100% owned by the Group. There are: Southgate Commercial Centre, The Wave, and Tern Centre Tower II.*

7. Environment (Cont'd)

7.1 Emissions (Cont'd)

7.1.2 Greenhouse Gas Emissions (Cont'd)

Scope 3 GHG Emissions by Category

Scope 3 Category	Description	Amount (tCO_2e)
Category 1	Purchased Goods and Services (Maintenance and related operational expenditure)	7.33
Category 7	Employee Commuting	6.18
Category 6	Business Travel	2.18
Category 13	Downstream Leased Assets (Tenant electricity consumption)	348.18
Total		363.87

During the reporting year, the Group conducted a preliminary Scope 3 greenhouse gas assessment based on the operational data currently available and considered relevant to its business activities as a property investment company.

The Scope 3 assessment covered selected categories that management considered material and practicable for disclosure at the current reporting stage, including purchased goods and services, employee commuting, business travel and downstream leased assets.

For downstream leased assets, the current assessment primarily included tenant-related electricity consumption based on the information available during the reporting year. As certain tenant-level environmental data has not yet been fully collected and consolidated, the current Scope 3 inventory may not fully capture all downstream leased asset emissions associated with the Group's property portfolio.

In addition, part of the electricity consumption currently classified under downstream leased assets relates to vacant lease properties where the electricity expenses were temporarily borne by the Group or its subsidiaries during vacancy periods. Due to the current data structure and practical limitations in separating landlord-borne and tenant-borne electricity consumption, the Group adopted a practical and consistent classification approach for the current reporting year. The Group intends to further refine and separate the relevant Scope 2 and Scope 3 electricity consumption categories in future reporting periods as more detailed information becomes available.

Among the assessed categories, downstream leased assets represented the largest source of Scope 3 greenhouse gas emissions, reflecting the indirect environmental impact associated with electricity consumption within the Group's investment property portfolio.

The Group recognises that Scope 3 greenhouse gas accounting remains an evolving area and intends to progressively enhance its data collection, tenant engagement and greenhouse gas accounting methodologies in future reporting periods.

7. Environment (Cont'd)

7.1 Emissions (Cont'd)

7.1.3 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 recycling and reuse.
- Encourage staff to recycle all plastic items by disposing them into proper recycling bins.

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 sent 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.

7. Environment (Cont'd)

7.2 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. The Group has implemented various energy-saving and resource management measures within its office operations and property management practices, including:

1. Maintaining indoor air-conditioning temperature at approximately 25°C during summer periods;

2. Switching off lobby lighting and reducing the operation of certain elevators during non-peak hours to reduce electricity consumption;

3. Encouraging employees to switch off office equipment, including printers, computers and air-conditioning units when not in use, and utilising energy-saving or sleep mode functions where applicable;

4. Ensuring all fan coil units within office areas are switched off at the end of each working day;

5. Promoting preventive maintenance programmes to extend the operational lifespan and efficiency of building facilities and equipment; and

6. Encouraging employees to minimise unnecessary printing and reduce paper consumption.

Equipment and Facilities 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

7. Environment (Cont'd)

7.2 Use of Resources (Cont'd)

7.2.1 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 consumed 58,259 kWh of electricity at its corporate office and 24,720 MJ of Towngas across its operational properties. These figures reflect our ongoing efforts to track and manage energy use across different facilities.

As part of our annual energy management system review, we conducted a detailed analysis of energy consumption by source and usage category. The findings reaffirm that the primary drivers of office energy consumption are computing equipment, lighting systems, and water heating appliances. These categories remain the focal points for future efficiency upgrades.

In terms of transportation, the Group maintains two company-owned vehicles in Hong Kong for business operations. These vehicles represent the second-largest contributor to our overall energy consumption and carbon emissions profile. During the reporting period, the vehicles consumed approximately 4,490.49 litres of petrol.

In response to rising fuel prices and our commitment to sustainable operations, the Group has adopted a structured fuel-efficiency action plan. This plan promotes:

- Strategic trip planning to minimize unnecessary travel,
- Adoption of eco-driving practices such as smooth acceleration and speed moderation,
- Regular vehicle maintenance including engine servicing and tyre pressure checks, which are essential for optimizing fuel efficiency and extending vehicle lifespan.

7. Environment (Cont'd)

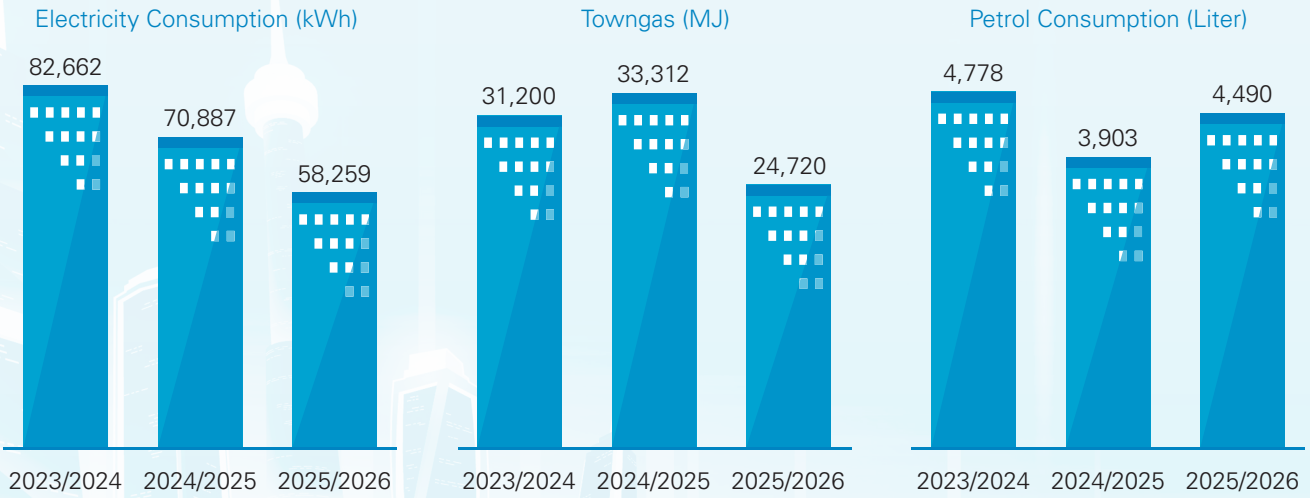
7.2 Use of Resources (Cont'd)

7.2.1 Energy Consumption (Cont'd)

Energy Consumption of our Corporate Office (Cont'd)

Through these initiatives, the Group aims to continuously reduce its environmental footprint while fostering responsible energy and mobility practices across its operations.

Energy	2025/2026 Amount	2025/2026 Intensity (Consumption/ Headcount)	2024/2025 Amount	2024/2025 Intensity (Consumption/ Headcount)	2023/2024 Amount	2023/2024 Intensity (Consumption/ Headcount)
Electricity (kWh)	58,259	3,237	70,887	3,938	82,662	5,166
Towngas (MJ)	24,720	1,373	33,312	1,851	31,200	1,950
Petrol (Liter)	4,490.49	249.47	3,902.85	216.83	4,778.26	298.64



7. Environment (Cont'd)

7.2 Use of Resources (Cont'd)

7.2.1 Energy Consumption (Cont'd)

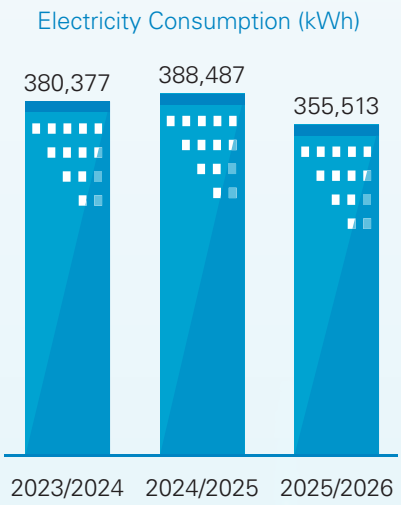
Energy Consumption of our Corporate Office (Cont'd)

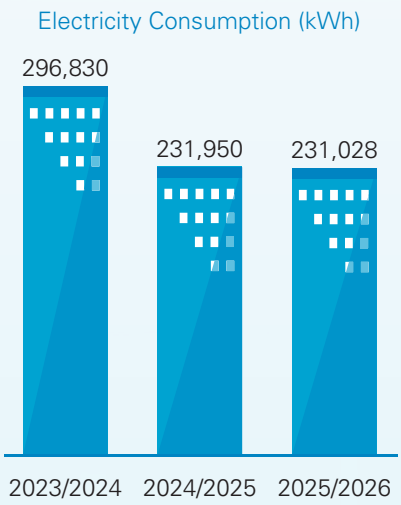
Energy Consumption from Shared Services in the Common Areas of our Buildings.

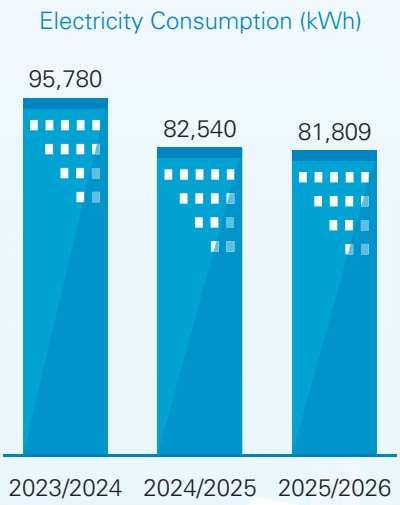
Tern Centre Tower II
355,513 kWh

Southgate Commercial Centre
231,028 kWh

The Wave
81,809 kWh







Energy	Total Amount (kWh)	Intensity/ per square feet (kWh)
Electricity consumption from shared services in the common areas of our buildings	668,350.2	6.50

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

The overall electricity consumption from shared services in the common areas of the buildings were due to the following reasons:

1. Non-essential lightings are switched off in common area during non-business hours

2. Air conditioning are switched off in non-business hours

3. Rescheduling facilities operation hours to cope with business needs

7. Environment (Cont'd)

7.2 Use of Resources (Cont'd)

7.2.2 Water

The Group's water consumption is primarily associated with two areas: water used within its corporate offices and water consumed in the common areas of its investment properties. As a property investment company operating in Hong Kong, the Group does not engage in water-intensive business activities. Nevertheless, the Group recognises the importance of responsible water management and efficient use of natural resources.

As Hong Kong's water resources are influenced by rainfall patterns and changing weather conditions, the Group acknowledges the importance of promoting water conservation and minimising unnecessary consumption. The Group believes that the collection and monitoring of water consumption data provide an important basis for improving resource management and identifying opportunities for greater operational efficiency.

The Group complies with all applicable laws and regulations in Hong Kong relating to water use and wastewater management. To minimise water wastage, the Group periodically reviews and maintains building drainage and water supply systems to identify potential leakages and improve operational efficiency where practicable.

In addition, the Group encourages employees to adopt water-saving practices in their daily operations and promotes environmental awareness across its workplace. Regardless of the availability of water resources in Hong Kong, the Group considers responsible water use to be an important aspect of environmental stewardship.

During the reporting period, water consumption was mainly associated with the Group's corporate office, director's quarter and the common areas of its wholly-owned investment properties. Water consumption is monitored to support resource management and identify opportunities for efficiency improvement.

Location	Description	Water Consumption (m^3)
Corporate Office	Director's Quarter	556
Southgate Commercial Centre, The Wave and Tern Centre Tower II	Common area operations of wholly-owned investment properties	827

7. Environment (Cont'd)

7.2 Use of Resources (Cont'd)

7.2.3 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, the Company has identified paper usage as a key area to address.

During the reporting period, the Group used 160 reams of A4 paper and 3 reams of A3 paper, compared with 116 reams of A4 paper in the previous year. The increase in paper consumption was primarily attributable to higher operational and administrative activities during the year.

Despite the increase in paper usage, the Group continued to promote environmentally responsible office practices, including the use of double-sided printing and encouraging employees to minimise unnecessary printing wherever practicable. The Group will continue to promote paper-saving measures and enhance employees' environmental awareness as part of its efforts to reduce resource consumption.

7.2.4 Metric Target

The Group recognises the importance of sustainable development, climate resilience and environmental management in supporting the long-term resilience of its business and property portfolio. During the reporting year, the Group further enhanced its ESG disclosure by expanding its Scope 3 greenhouse gas assessment and incorporating climate-related disclosures in accordance with Part D of the HKEX ESG Code.

Taking into account the Group's current business nature, operational circumstances and the ongoing development of climate-related data collection processes, the Group has established the following environmental and climate-related management directions and targets:

7. Environment (Cont'd)

7.2 Use of Resources (Cont'd)

7.2.4 Metric Target (Cont'd)

Environmental Aspect	Target
Greenhouse Gas Emissions and Electricity Consumption	The Group aims to progressively improve energy efficiency and manage greenhouse gas emissions arising from its office operations, common area operations and relevant Scope 3 activities at the existing scale of business operations.
Scope 3 Greenhouse Gas Emissions	The Group aims to progressively enhance Scope 3 greenhouse gas data collection, particularly in relation to tenant-related electricity consumption and downstream leased assets, and improve the accuracy and completeness of climate-related disclosures over time.
Climate-related Disclosure and Management	The Group aims to progressively strengthen its climate-related governance, risk assessment and disclosure practices in alignment with the climate-related disclosure requirements under Part D of the HKEX ESG Code.
Water Consumption	The Group aims to promote water conservation and maintain efficient water usage practices within its operations at the existing scale of business operations.
Waste Management	The Group aims to reduce unnecessary waste generation and encourage resource-saving practices within its office operations at the existing scale of business operations.

The Group will continue to review its environmental performance, climate-related disclosures and operational practices periodically, and will consider enhancing its environmental targets and management measures as its climate-related data collection and sustainability management capabilities continue to develop.

7. Environment (Cont'd)

7.3 The Environmental and Natural Resources

The Group is aware 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 broad 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 property buildings, ranging from energy saving measures to sustainable purchasing practices.

In addition, we make best efforts to minimize the adverse effects on the environment 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 and complied with all relevant environmental rules and regulations in Hong Kong.

8. Social – Community Investment

With a vision to grow together with the community, the Group is committed to creating long-term value for society through responsible business practices and community engagement. Although the Group has not established a formal community investment policy, it encourages employees to participate in volunteer and charitable activities whenever suitable opportunities arise.

During the reporting period, the Group did not organise or participate in any significant community investment or volunteer activities. Given the Group's lean organisational structure and focused business model as a property investment company, community investment activities remained limited during the year. Nevertheless, the Group remains committed to fulfilling its corporate social responsibilities and will continue to explore appropriate opportunities to support community well-being and sustainable social development.

9. Climate-related Disclosures (Part D)

Governance

The Board and management of Tern Properties Limited recognise that climate change may create both risks and opportunities for the property investment and management sector. During the reporting year, the Group continued to monitor environmental and climate-related developments relevant to its operations and property portfolio.

Climate-related matters are discussed periodically at the management level as part of the Group's ESG and operational discussions. Relevant topics include energy efficiency improvement initiatives, operational cost management and environmental trends that may affect the Group's properties and tenants.

Although the Group has not established a standalone climate committee at this stage, climate-related considerations are incorporated into existing management discussions and ESG-related reporting processes. The Board oversees ESG-related matters through regular review of ESG disclosures and management updates.

Management personnel are responsible for coordinating ESG data collection and monitoring operational environmental performance. Relevant functions, including the finance team and external property management companies, assist in the collection of environmental information and support climate-related disclosure preparation.

The Group has started considering climate-related factors in certain operational and management decisions, including reviewing opportunities for LED lighting upgrades, improving building energy efficiency, promoting energy-saving practices within office operations and monitoring operational cost impacts arising from energy consumption.

9. Climate-related Disclosures (Part D) (Cont'd)

Strategy

Climate-related Risks and Opportunities

The Group recognises that climate change may create both transition risks and physical risks that could affect the property sector over the medium to long term.

Transition risks may arise from changes in environmental regulations, evolving tenant expectations, increasing market focus on sustainability performance and rising energy costs associated with the transition to a lower-carbon economy. Older buildings and properties with relatively lower energy efficiency may face greater exposure to future upgrade requirements and operational cost pressures.

Physical climate risks, including typhoons, heavy rainfall and extreme heat, may potentially affect building operations, tenants and property-related operational costs. Potential impacts include operational disruption, increased cooling demand, higher maintenance and insurance costs, and indirect effects on tenants' business operations.

At the same time, the Group recognises that improving building energy efficiency and implementing sustainability upgrades may create opportunities to reduce long-term operating costs, improve asset attractiveness, enhance tenant retention and support long-term property value.

Climate Scenario Consideration

The Group has begun considering climate-related scenario assumptions as part of its assessment of climate-related risks and opportunities. While detailed quantitative scenario modelling has not yet been conducted, management has considered several possible future developments, including:

- stricter environmental and energy-efficiency regulations;
- rising energy and utility costs;
- increasing tenant expectations regarding sustainability performance; and
- more frequent extreme weather events affecting property operations.

The Group currently adopts a qualitative approach in assessing potential climate-related impacts due to the limited availability of detailed climate-related operational data.

9. Climate-related Disclosures (Part D) (Cont'd)

Strategy (Cont'd)

Impact on Business and Financial Planning

Climate-related factors may affect several aspects of the Group's operations and financial planning, including:

- operating costs associated with energy consumption;
- future capital expenditure requirements for building upgrades;
- long-term property competitiveness and asset value; and
- tenant attraction and retention considerations.

The Group has begun integrating relevant sustainability considerations into investment discussions, operational planning and property management practices where appropriate.

Key Climate-related Risks and Opportunities

The table below summarises the principal climate-related risks and opportunities identified by the Group based on management's qualitative assessment.

Climate-related risks	Potential Positive Impact/Opportunity	Potential Negative Impact/Risk
Acute physical risks related to typhoons, storms and floods	Resilient assets that are better able to withstand extreme weather events may support business continuity, enhance tenant confidence and strengthen the long-term attractiveness of the Group's properties.	Increased maintenance expenses, potential property damage, higher insurance premiums, additional manpower costs and disruption to tenant operations.
Chronic physical risks including rising temperatures and sea level rise	Properties with improved insulation, cooling efficiency and resilience features may reduce the need for future retrofits, enhance occupant comfort and improve operational efficiency.	Higher cooling demand, increased utility costs and higher capital expenditure required to upgrade buildings to cope with changing climate conditions.

9. Climate-related Disclosures (Part D) (Cont'd)

Strategy (Cont'd)

Key Climate-related Risks and Opportunities (Cont'd)

Climate-related risks	Potential Positive Impact/Opportunity	Potential Negative Impact/Risk
Transition risks – Policy and regulation	Properties with stronger environmental performance or green building features may be better positioned to meet future regulatory expectations and may benefit from potential government incentives.	Increased compliance costs and significant investment required to meet future environmental and energy efficiency requirements.
Transition risks – Technology	Adoption of energy-efficient technologies and building systems may reduce energy expenditure and improve operational efficiency.	Additional investment in energy-efficient equipment, system upgrades and related technical support.
Transition risks – Market	More energy-efficient and climate-resilient properties may attract tenants and investors with increasing sustainability expectations.	Reduced attractiveness of the Group's assets and business from a leasing and investment perspective if climate-related risks are not managed appropriately.
Transition risks – Reputation	Stronger energy efficiency and climate resilience performance may enhance the Group's reputation as a responsible and preferred landlord.	Reduced revenues and weaker stakeholder confidence if environmental performance does not meet evolving expectations.

Risk Management

The Group manages climate-related risks as part of its broader operational and ESG management processes, with a current focus on operational energy-saving measures and environmental management initiatives.

Existing measures implemented or discussed by the Group include:

- LED lighting upgrades;
- energy-saving initiatives within office operations;
- monitoring building operational efficiency; and
- encouraging environmentally responsible operational practices.

9. Climate-related Disclosures (Part D) (Cont'd)

Strategy (Cont'd)

Risk Management (Cont'd)

The Group also engages with external property management companies to obtain relevant environmental operational data, including common area electricity consumption information where available.

The Group recognises that tenant-related environmental data, particularly tenant electricity consumption data, may become increasingly important for future climate disclosures and Scope 3 greenhouse gas assessment. However, due to current lease structures and separate tenant utility arrangements, complete tenant-level environmental data remains partially unavailable at this stage.

The Group intends to continue improving its climate-related management approach and ESG data collection processes in future reporting periods.

Metrics and Targets

Greenhouse Gas Emissions

The Group is in the process of strengthening its greenhouse gas emissions accounting and climate-related data collection capabilities.

During the reporting year, the Group disclosed its Scope 1 and Scope 2 greenhouse gas emissions based on available operational data. In addition, the Group has undertaken a preliminary Scope 3 greenhouse gas assessment using data that is currently available and considered relevant to its business operations.

The Scope 3 categories currently assessed by the Group include:

- Purchased goods and services, primarily based on selected maintenance and property-related expenditure;
- Downstream leased assets, primarily relating to tenant-related electricity consumption and electricity consumption from certain vacant lease properties temporarily borne by the Group;
- Business travel;
- Employee commuting; and
- Other categories where relevant data is available.

During the reporting year, the Group's Scope 3 greenhouse gas emissions mainly arose from downstream leased assets, which represented the largest portion of the Group's indirect greenhouse gas emissions. The Group also assessed indirect emissions arising from purchased goods and services, employee commuting and business travel.

9. Climate-related Disclosures (Part D) (Cont'd)

Metrics and Targets (Cont'd)

Greenhouse Gas Emissions (Cont'd)

As disclosed in Chapter 7.1.2 "GHG Emissions Scope 3 Emissions by Category", the Group's preliminary Scope 3 assessment was conducted based on the best available operational information during the reporting period.

The Group recognises that tenant-related electricity consumption may represent a significant source of indirect emissions. However, due to current lease arrangements and separate utility accounts maintained by tenants, complete tenant-level environmental data is not yet fully available. In addition, certain electricity consumption currently included under downstream leased assets relates to vacant lease properties where the electricity expenses were temporarily borne by the Group or its subsidiaries during vacancy periods.

Due to current practical limitations in separating landlord-borne and tenant-borne electricity consumption, the Group adopted a practical and consistent classification approach for the current reporting year. The Group intends to further refine and separate the relevant Scope 2 and Scope 3 electricity consumption categories in future reporting periods as more detailed information becomes available.

As a result, the current Scope 3 inventory is based on the best available information and may not capture all indirect emissions associated with the Group's property portfolio.

The Group currently adopts a practical and progressive approach to greenhouse gas accounting, taking into account data availability and the Group's operational circumstances. Management believes that the current disclosures provide a reasonable basis for understanding the Group's climate-related impacts and identifying areas for future improvement.

Targets and Future Direction

The Group has not yet established formal climate-related or carbon reduction targets. Nevertheless, management has implemented and discussed a number of practical energy-saving initiatives during the reporting year, including office energy conservation measures and consideration of building energy efficiency improvements.

Going forward, the Group intends to progressively strengthen its climate-related management framework by:

- improving environmental and greenhouse gas data collection processes;
- enhancing visibility over tenant-related environmental performance;
- evaluating opportunities to improve operational energy efficiency; and
- considering more structured climate-related target setting in future reporting periods.

The Group will continue to monitor developments in the HKEX climate disclosure requirements and evolving market expectations relating to sustainability and climate governance.

Appendix I ESG Key Performance Data Tables for 2025/2026

Environmental Aspects

KPI		Unit	2025/2026
Air Emissions	Sulfur dioxide	kg	8.268
	Nitrogen oxides	kg	0.094
	Particulate matter	kg	0.049
Greenhouse Gas Emissions from our Corporate Office	Greenhouse gas emissions (Scope 1)	tCO_2e	11.71
	Greenhouse gas emissions (Scope 2)	tCO_2e	34.96
	Total greenhouse gas emissions	tCO_2e	46.66
	Greenhouse gas emission intensity	tCO_2e/number of employees	2.59
Greenhouse Gas Emissions from Shared Services in the Common Areas of our Building	Greenhouse gas emissions (Scope 2)	tCO_2e	325.93
	Greenhouse gas emission intensity	tCO_2e/per square feet	0.003
Scope 3 Greenhouse Gas	Greenhouse gas emissions (Scope 3)	tCO_2e	363.87
Waste	Total Hazardous Waste	tons	Handled by licensed service providers
	Total non-hazardous waste	tons	Handled by local municipal departments
Energy Consumption from our Corporate Office	Electricity Consumption	kWh	58,259
	Intensity of Electricity Consumption	Consumption in kWh/number of employees	3,236.61
	Petrol	Litre	4,490.5
	Intensity of Petrol Consumption	Consumption in litres/ number of employees	249.47
	Towngas	MJ	24,720
	Intensity of Towngas Consumption	Consumption in MJ/number of employees	1,373.33

Environmental, Social and Governance Report

KPI		Unit	2025/2026
Electricity Consumption from Shared Services in the Common Areas of Our Building	Electricity	kWh	668,350.20
	Intensity of Electricity Consumption	kWh/per square feet	6.49
Water Consumption	Director's Quarter	m^3	556
	Common area operations of wholly-owned investment properties	m^3	827
Paper Consumption	Paper Consumptions (A4 & A3)	reams	163

Description of environmental data and indexes:

1. Environmental data spans the period from April 1 2025 to March 31, 2026; the data collection scope covers.

2. Emission factors for GHG Scope 1, NOx, SOx, and PM are sourced from the HKEX ESG Reporting Guide (Appendix 2) and the UK DEFRA 2023 conversion factors.

3. GHG emissions (Scope 2) mainly arise from the consumption of purchased electricity, while GHG emissions (Scope 3) mainly arise from business air travel, employee commuting, purchased goods and services, and downstream leased assets, particularly tenant-related electricity consumption. The data sources are based on relevant payment records, utility bills and administrative statistical records. The GHG emission factors for purchased electricity are based on supplier data: 0.36 kg CO2e/kWh for CLP Power and 0.60 kg CO2e/kWh for HK Electric.

4. The Group's non-hazardous waste is handled by property management company.

5. The Group's hazardous waste is handled by the licensed third party.

Social aspects

KPI		**2025/2026**	
Total number of employees by gender, employment type, age group and region			
		Number of employees (persons)	**Percentage (%)**
By Gender	Male	4	22%
	Female	14	78%
By Employment Type	Full-time	18	100%
	Part-time	0	0%
By Age Group	Under 25 years old	0	0%
	25-34 years old	0	0%
	35-44 years old	6	33%
	45-54 years old	3	17%
	55 years old or above	9	50%
By Geographical Region	Hong Kong S.A.R	18	100%
Total Number of Employees		18	

Environmental, Social and Governance Report

Employee turnover rate by gender, age group and region			
		Number of employee turnover (persons)	**Turnover rate (%)**
By Gender	Male	0	0
	Female	0	0
By Age Group	Under 25 years old	0	0
	25 – 34 years old	0	0
	35 – 44 years old	0	0
	45 – 54 years old	0	0
	55 years old or above	0	0
By Geographical Region	Hong Kong S.A.R	0	0
Health and Safety			
Number of work-related fatalities in the past three years		0	
Lost days due to work injury		0	
Percentage of Employees Trained and Average Hours Trained by Gender and Employment Type			
		Percentage of employees trained	**Number of training hours on average**
By Gender	Male	50%	7
	Female	36%	7
By Position	Management	80%	26
	General staff	31%	4

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 2026.

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 2026 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 2026, 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 9 of the Annual Report.

Results and Appropriations

The results of the Group for the year ended 31 March 2026 are set out in the consolidated statement of profit or loss and other comprehensive income on page 86.

An interim dividend of HK0.3 cent per share amounting to approximately HK$832,000 was paid on 29 December 2025. The Directors now recommend the payment of a final dividend of HK1.4 cents per share to be paid to the shareholders on the Register of Members on 2 September 2026 amounting to approximately HK$3,881,000.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 March 2026 amounted to approximately HK$493,798,000 (2025: HK$493,625,000).

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 9 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$40.5 million.

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

Particulars of Major Properties Held by the Group

Details of the properties held by the Group at 31 March 2026 are set out on pages 158 to 160.

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
Ms. Chan Yan Wai, Emily
Mr. Chan Yan Lam, Alan
Mr. Chan Yan Tin, Andrew

Independent Non-Executive Director
Mr. Chan Kwok Wai
Mr. Tse Lai Han, Henry
Ms. Cheung Chong Wai, Janet
Mr. Lee Siu Kau (appointed on 26 February 2026)

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(A) of the Articles of Association, Ms. Chan Yan Wai, Emily, Mr. Chan Yan Lam, Alan and Ms. Cheung Chong Wai, Janet, shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Lee Siu Kau was appointed as an Independent Non-Executive Director on 26 February 2026. Mr. Lee Siu Kau obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 29 January 2026, and he has confirmed that he understands his obligations as a director. Pursuant to Article 94 of the Articles of Association, Mr. Lee Siu Kau shall hold office only until the forthcoming AGM 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 Ms. Chan Yan Wai, Emily, Mr. Chan Yan Lam, Alan and Mr. Chan Yan Tin, Andrew.

Directors' Interests in Shares

At 31 March 2026, 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:

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 Yan Tin, Andrew	Beneficial owner	Personal Interest	792,000	173,232,896	62.49
	Beneficiary of a trust	Other Interest (Notes 1 & 2)	172,440,896		
Chan Yan Wai, Emily	Beneficiary of a trust	Other Interest (Notes 1 & 3)	172,440,896	172,440,896	62.20
Chan Yan Lam, Alan	Beneficiary of a trust	Other Interest (Notes 1 & 4)	172,440,896	172,440,896	62.20

Directors' Interests in Shares (Cont'd)

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

Notes:

1. The 172,440,896 shares are held as to 146,618,000 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 172,440,896 shares indirectly owned by Sow Pin Trust.

2. 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 1 above. By virtue of the shareholdings as mentioned in Note 1 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 172,440,896 shares indirectly owned by Sow Pin Trust.

3. 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 1 above. By virtue of the shareholdings as mentioned in Note 1 above, Ms. Chan Yan Wai, Emily is deemed to be interested in 172,440,896 shares indirectly owned by Sow Pin Trust.

4. 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 1 above. By virtue of the shareholdings as mentioned in Note 1 above, Mr. Chan Yan Lam, Alan is deemed to be interested in 172,440,896 shares indirectly owned by Sow Pin Trust.

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 2026 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 30 to 72 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 2026, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Place of incorporation	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	N/A	Beneficial owner	Personal interest	2,042,000	205,008,534	73.95
		Interest of controlled corporation	Corporate interest (Note 1)	56,348,534		
		Founder of a discretionary trust	Other interest (Notes 1 & 2)	172,440,896		
Chan Loo Kuo Pin	N/A	Interest of spouse	Family interest (Note 3)	205,008,534	205,008,534	73.95
TMF (Cayman) Ltd. as trustee of Sow Pin Trust	Cayman Islands	Interest of controlled corporation	Corporate interest (Notes 4, 5 & 6)	172,440,896	172,440,896	62.20
Global Heritage Group Limited	British Virgin Islands	Interest of controlled corporation	Corporate interest (Notes 4 & 5)	172,440,896	172,440,896	62.20
Beyers Investments Limited	British Virgin Islands	Interest of controlled corporation	Corporate interest (Notes 4, 5 & 6)	172,440,896	172,440,896	62.20
Noranger Company Limited	Hong Kong	Beneficial owner	Corporate interest (Notes 4, 5 & 6)	146,618,000	146,618,000	52.89
Evergrade Investments Limited	Hong Kong	Beneficial owner	Corporate interest (Notes 4, 5 & 6)	25,822,896	25,822,896	9.31
Smartprint Development Limited	British Virgin Islands	Beneficial owner	Corporate interest (Note 1)	30,525,638	30,525,638	11.01
Builtwin Ltd.	Liberia	Beneficial owner	Corporate interest (Note 7)	14,876,008	14,876,008	5.37
Hon Nicholas	N/A	Interest of controlled corporation	Corporate interest (Note 7)	14,876,008	14,876,008	5.37

Substantial Shareholders (Cont'd)

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 172,440,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust as mentioned in Note 2 below.

2. The 172,440,896 shares are held as to 146,618,000 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 172,440,896 shares indirectly owned by Sow Pin Trust.

3. The interest is the same block of shares already disclosed under the personal, corporate and other interests of her husband, Mr. Chan Hoi Sow.

4. All interests of TMF (Cayman) Ltd. as trustee of Sow Pin Trust, 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.

5. TMF (Cayman) Ltd. as trustee of Sow Pin Trust is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 6 below through interests of corporations controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage control
Global Heritage Group Limited	TMF (Cayman) Ltd. as trustee of Sow Pin Trust	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

6. TMF (Cayman) Ltd. as trustee of Sow Pin Trust is interested in 172,440,896 shares which are held as to 146,618,000 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.

7. 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 2026, 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	
	2026	2025	2026	2025
The largest customer	**6.3%**	6.4%	**–**	–
Five largest customers in aggregate	**24.0%**	23.5%	**–**	–
The largest supplier	**–**	–	**10.6%**	9.3%
Five largest suppliers in aggregate	**–**	–	**31.5%**	32.5%

At no time during the year, have the Directors, their associates (as defined in the Rules Governing the Listing of Securities in 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 2026 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 HLB Hodgson Impey Cheng Limited, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditor of the Company will be proposed at the forthcoming Annual General Meeting. HLM CPA Limited retired as auditor of the Company with effect from 20 August 2025. HLB Hodgson Impey Cheng Limited was appointed as the new auditor of the Company to fill the casual vacancy following the retirement of HLM CPA Limited.

On behalf of the Board

Chan Yan Wai, Emily
Chan Yan Lam, Alan
Joint Chairmen

Hong Kong, 17 June 2026

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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 86 to 156, which comprise the consolidated statement of financial position as at 31 March 2026, 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 material accounting policy information.

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 2026, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' 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"), as applicable to audits of financial statements of public interest entities. We have also 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 matter is that matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to notes 16 and 19 to the consolidated financial statements. The Group had investment properties held by subsidiaries and associates of approximately HK$1,897,695,000 and HK$513,900,000 respectively as at 31 March 2026 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. We identified the valuations of investment properties as a key audit matter due to the estimation uncertainty and the significant assumptions and judgements involved in the valuation. The Group engaged the independent qualified valuers to establish and determine the appropriate valuation techniques. The fair value of the Group's and associates' investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements.	Our procedures in relation to the valuation of investment properties included, but not limited to: • Evaluating the independent external valuers' competence, capabilities and objectivity; • Assessing the valuation methodologies used and the reasonableness of the key assumptions and parameters based on our knowledge of the property industry and using our auditors' valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supportable by the available evidence.

Other Matter

The consolidated financial statements of the Group for the year ended 31 March 2025 were audited by another auditor who expressed an unmodified opinion on those statements on 18 June 2025.

Other Information

The directors 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 auditors' 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 are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine that matter that were of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditors' 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.

The engagement director on the audit resulting in this independent auditors' report is Ng Ka Wah (practising certificate number: P06417).

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hong Kong, 17 June 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Turnover	5	**48,445**	50,397
Property expenses		**(4,260)**	(5,232)
Gross profit		**44,185**	45,165
Fair value loss on investment properties	16	**(40,480)**	(91,139)
Loss on derecognition of debt instruments at fair value through other comprehensive income		**(36,093)**	(79)
Gain on disposal of financial assets at fair value through profit or loss		**601**	42
Unrealised gain on revaluation of financial assets at fair value through profit or loss		**17,321**	15,400
Net reversal of (provision for) impairment loss on debt instruments at fair value through other comprehensive income		**3,718**	(946)
Allowance for expected credit losses, net of reversal		**(3,834)**	(1,896)
Dividend income		**4,931**	3,322
Interest income	7	**12,917**	16,185
Other income, gains and losses, net	8	**8,325**	3,561
Administrative expenses		**(41,492)**	(34,991)
Loss from operations	9	**(29,901)**	(45,376)
Finance costs	10	**(954)**	(1,296)
Share of results of associates	19	**3,918**	(2,486)
Loss before taxation		**(26,937)**	(49,158)
Taxation	13	**576**	(5,301)
Loss for the year attributable to owners of the Company		**(26,361)**	(54,459)
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		**(3,503)**	1,739
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at fair value through other comprehensive income		**31,017**	4,979
(Reversal of) provision for impairment loss on debt instruments at fair value through other comprehensive income		**(1,225)**	946
Exchange differences arising on translation of foreign operations		**502**	(627)
Other comprehensive income for the year, net of tax		**26,791**	7,037
Total comprehensive income (expense) for the year attributable to owners of the Company		**430**	(47,422)
Loss per share			
Basic and diluted	15	**(HK$0.10)**	(HK$0.20)

Consolidated Statement of Financial Position

At 31 March 2026

	Notes	**2026** **HK$'000**	2025 HK$'000
Non-current assets			
Investment properties	16	**1,897,695**	1,937,917
Property, plant and equipment	17	**567**	971
Right-of-use assets	18	**14,307**	14,808
Interests in associates	19	**256,571**	254,380
Debt instruments at fair value through other comprehensive income	20	**23,696**	29,478
Financial assets at fair value through profit or loss	20	**700**	700
Deferred rental income		**453**	478
Deferred tax assets	26	**188**	168
		2,194,177	2,238,900
Current assets			
Trade and other receivables	21	**14,225**	11,434
Debt instruments at fair value through other comprehensive income	20	**891**	3,505
Financial assets at fair value through profit or loss	20	**117,523**	94,925
Deferred rental income – current portion		**914**	1,248
Tax recoverable		**1,235**	1,066
Time deposit with maturity over three months	22	**17,317**	77,919
Bank balances and cash	22	**276,750**	199,023
		428,855	389,120
Current liabilities			
Other payables	23	**7,872**	5,859
Deposits received from tenants		**9,565**	11,296
Tax payable		**312**	2,468
Lease liabilities	24	**34**	416
Secured bank borrowings – due within one year	25	**3,119**	3,002
		20,902	23,041
Net current assets		**407,953**	366,079
Total assets less current liabilities		**2,602,130**	2,604,979

Consolidated Statement of Financial Position

At 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Non-current liabilities			
Deposits received from tenants		**11,988**	7,507
Lease liabilities	24	**–**	34
Secured bank borrowings – due after one year	25	**35,564**	38,727
Deferred tax liabilities	26	**35,889**	35,739
		83,441	82,007
Net assets		**2,518,689**	2,522,972
Capital and reserves			
Share capital	27	**229,386**	229,386
Reserves		**2,289,303**	2,293,586
Total equity		**2,518,689**	2,522,972

The consolidated financial statements on pages 86 to 156 were approved and authorised for issue by the Board of Directors on 17 June 2026 and are signed on its behalf by:

Chan Yan Wai, Emily
Director

Chan Yan Tin, Andrew
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2026

	Share capital	Exchange reserve	Fair value through other comprehensive income ("FVTOCI") reserve	Dividend reserve	Retained profits	Total
	HK$'000	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note c)	HK$'000	HK$'000
At 1 April 2024	229,386	286	(149,602)	3,881	2,491,156	2,575,107
Loss for the year	–	–	–	–	(54,459)	(54,459)
Other comprehensive (expense) income:						
Net gain arising on revaluation of debt instruments at FVTOCI	–	–	1,739	–	–	1,739
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	–	–	4,979	–	–	4,979
Impairment loss on debt instruments at FVTOCI included in profit and loss	–	–	980	–	–	980
Reversal of impairment loss on debt instruments at FVTOCI	–	–	(34)	–	–	(34)
Exchange differences arising on translation of foreign operations	–	(627)	–	–	–	(627)
Total comprehensive (expense) income for the year	–	(627)	7,664	–	(54,459)	(47,422)
Dividends declared (note 14)	–	–	–	4,713	(4,713)	–
Dividends paid	–	–	–	(4,713)	–	(4,713)
At 31 March 2025 and 1 April 2025	229,386	(341)	(141,938)	3,881	2,431,984	2,522,972
Loss for the year	–	–	–	–	**(26,361)**	**(26,361)**
Other comprehensive (expense) income:						
Net loss arising on revaluation of debt instruments at FVTOCI	–	–	**(3,503)**	–	–	**(3,503)**
Release of cumulative gain or loss on fair value change on derecognition of debt instruments at FVTOCI	–	–	**31,017**	–	–	**31,017**
Reversal of impairment loss on debt instruments at FVTOCI	–	–	**(1,225)**	–	–	**(1,225)**
Exchange differences arising on translation of foreign operations	–	**502**	–	–	–	**502**
Total comprehensive income (expense) for the year	–	**502**	**26,289**	–	**(26,361)**	**430**
Dividends declared (note 14)	–	–	–	**4,713**	**(4,713)**	–
Dividends paid	–	–	–	**(4,713)**	–	**(4,713)**
At 31 March 2026	**229,386**	**161**	**(115,649)**	**3,881**	**2,400,910**	**2,518,689**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2026

Notes:

a. Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

b. FVTOCI reserve represents cumulative gains and losses arising from revaluation of debt instruments at FVTOCI, net of cumulative loss allowance and cumulative gains and losses reclassified to profit or loss upon disposal.

c. Dividend reserve represents an equity account that holds the portion of retained earnings set aside specifically to pay declared or proposed dividends to shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 March 2026

	Notes	**2026** **HK$'000**	2025 HK$'000
Operating activities			
Loss before taxation		**(26,937)**	(49,158)
Adjustments for:			
Share of results of associates	19	**(3,918)**	2,486
Interest income	7	**(12,917)**	(16,185)
Dividend income		**(4,931)**	(3,322)
Interest expenses	10	**954**	1,296
Fair value loss on investment properties	16	**40,480**	91,139
Depreciation of property, plant and equipment	17	**404**	391
Depreciation of right-of-use assets	18	**501**	684
Loss on derecognition of debt instruments at FVTOCI		**36,093**	79
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")		**(601)**	(42)
Unrealised gain on revaluation of financial assets at FVTPL		**(17,321)**	(15,400)
Provision for allowance for expected credit losses, net of reversal		**3,834**	1,896
(Net reversal of) provision for impairment loss on debt instruments at FVTOCI		**(3,718)**	946
Exchange adjustments on debt instruments at FVTOCI		**(159)**	191
Operating cash flows before movements in working capital		**11,764**	15,001
Increase in trade and other receivables		**(7,467)**	(2,381)
Decrease in deferred rental income		**359**	88
Increase in other payables		**2,021**	413
Increase (decrease) in deposits received from tenants		**2,750**	(1,308)
Cash generated from operations		**9,427**	11,813
Profits tax paid		**(1,734)**	(4,762)
Profits tax refunded		**115**	118
Net cash generated from operating activities		**7,808**	7,169

Consolidated Statement of Cash Flows

For the year ended 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Investing activities			
Interest received		**12,917**	14,988
Placement of time deposit with maturity over three months		**(17,317)**	(77,919)
Withdrawal of time deposit with maturity over three months		**77,919**	56,343
Dividend received from investments		**4,931**	3,199
Dividend received from an associate		**1,800**	1,800
Proceeds from derecognition of debt instruments at FVTOCI		**3,299**	37,143
Purchase of financial assets at FVTPL		**(22,265)**	(75,595)
Proceeds from disposal of financial assets at FVTPL		**17,589**	5,490
Net cash generated from (used in) investing activities		**78,873**	(34,551)
Financing activities			
Dividend paid		**(4,713)**	(4,713)
Interest paid	34	**(956)**	(1,301)
Repayment of bank borrowings	34	**(3,046)**	(2,857)
Repayment to associates	34	**(73)**	(72)
Repayment of lease liabilities	34	**(422)**	(611)
Net cash used in financing activities		**(9,210)**	(9,554)
Net increase (decrease) in bank balances and cash		**77,471**	(36,936)
Effect of foreign exchange rate changes		**256**	(293)
Bank balances and cash at beginning of the year		**199,023**	236,252
Bank balances and cash at end of the year		**276,750**	199,023
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**276,750**	199,023

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 ("Stock Exchange"). 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 its subsidiaries (collectively referred to 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 and all amounts are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2. Application of New and Amendments to HKFRS Accounting Standards

Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 April 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability

The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to HKFRS Accounting Standards (Cont'd)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2026.

[3] Effective for annual periods beginning on or after 1 January 2027.

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

3. Material Accounting Policy Information

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards 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".

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

3. Material Accounting Policy Information (Cont'd)

Basis of preparation (Cont'd)

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 material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

3. Material Accounting Policy Information (Cont'd)

Basis of consolidation (Cont'd)

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;
- 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.

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 36 to the consolidated financial statements are stated at cost less any identified impairment loss.

3. Material Accounting Policy Information (Cont'd)

Interests in associates

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

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

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

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

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. Material Accounting Policy Information (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.

Rental income, including rental invoiced in advance from properties under operating lease arrangements, is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

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, adjusted to exclude any prepaid or accrued operating lease income.

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. Material Accounting Policy Information (Cont'd)

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment 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, supply or 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, including costs of testing whether the related assets is functioning property 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	20% 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. Material Accounting Policy Information (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.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. 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.

Notes to the Consolidated Financial Statements

3. Material Accounting Policy Information (Cont'd)

Leases (Cont'd)

The Group as lessee (Cont'd)

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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- 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" 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.

3. Material Accounting Policy Information (Cont'd)

Leases (Cont'd)

The Group as lessee (Cont'd)

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 incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs.

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.

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.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

3. Material Accounting Policy Information (Cont'd)

Leases (Cont'd)

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.

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.

3. Material Accounting Policy Information (Cont'd)

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. HK$) 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.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as expenses when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

3. Material Accounting Policy Information (Cont'd)

Employee benefits (Cont'd)

Retirement benefit costs (Cont'd)

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest on the net defined benefit liability or asset; and
- remeasurement of the net defined benefit liability or asset in other comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

3. Material Accounting Policy Information (Cont'd)

Employee benefits (Cont'd)

Retirement benefit costs (Cont'd)

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If the contributions are linked to services, they reduce service cost. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19.70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

Borrowing costs

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

3. Material Accounting Policy Information (Cont'd)

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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.

3. Material Accounting Policy Information (Cont'd)

Taxation (Cont'd)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the lease liabilities and related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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).

3. Material Accounting Policy Information (Cont'd)

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.

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.

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

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 generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. Material Accounting Policy Information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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, except for a derivative that is a designated and effective 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.

Notes to the Consolidated Financial Statements

3. Material Accounting Policy Information (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. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. 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.

3. Material Accounting Policy Information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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 past events and current conditions at the reporting date as well as the forecast of future economic conditions.

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. Material Accounting Policy Information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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.

Despite the foregoing, 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.

3. Material Accounting Policy Information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(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.

(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.

3. Material Accounting Policy Information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(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.

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.

3. Material Accounting Policy Information (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity

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.

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.

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.

3. Material Accounting Policy Information (Cont'd)

Related parties (Cont'd)

(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.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price charged.

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.

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 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 is the critical judgement, apart from this involving estimations, that the directors 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties using the fair value model, the directors 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 in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key source of estimation uncertainty

The following is the key assumption concerning the future, and other key source 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 2026 at their fair value of approximately HK$1,897,695,000 (2025: approximately HK$1,937,917,000). 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.

	2026 HK$'000	2025 HK$'000
Property rental income	**48,445**	50,397

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 on derecognition of debt instruments at FVTOCI, gain on disposal of financial assets at FVTPL, unrealised gain on revaluation of financial assets at FVTPL, interest income from debt instruments and bank deposits and dividend income from equity securities.

6. Operating Segments (Cont'd)

Segment information

For the year ended 31 March 2026

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Gross rental income	**48,445**	**–**	**48,445**
Property expenses	**(4,260)**	**–**	**(4,260)**
Net rental income	**44,185**	**–**	**44,185**
Fair value loss on investment properties	**(40,480)**	**–**	**(40,480)**
Loss on derecognition of debt instruments at FVTOCI	**–**	**(36,093)**	**(36,093)**
Gain on disposal of financial assets at FVTPL	**–**	**601**	**601**
Unrealised gain on revaluation of financial assets at FVTPL	**–**	**17,321**	**17,321**
Net reversal of impairment loss on debt instruments at FVTOCI	**–**	**3,718**	**3,718**
Allowance for expected credit losses, net of reversal	**(3,834)**	**–**	**(3,834)**
Dividend income from equity securities	**–**	**4,931**	**4,931**
Interest income	**4,579**	**8,338**	**12,917**
Other income, gains and losses, net	**4,933**	**3,392**	**8,325**
Administrative expenses	**(42,907)**	**1,415**	**(41,492)**
(Loss) profit from operations	**(33,524)**	**3,623**	**(29,901)**
Finance costs	**(6)**	**(948)**	**(954)**
Share of results of associates	**3,918**	**–**	**3,918**
(Loss) profit before taxation	**(29,612)**	**2,675**	**(26,937)**

At 31 March 2026

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment assets	**2,269,186**	**353,846**	**2,623,032**
Segment liabilities	**(60,922)**	**(43,421)**	**(104,343)**
Net assets	**2,208,264**	**310,425**	**2,518,689**
Other segment information:			
Depreciation and amortisation	**905**	**–**	**905**

Notes to the Consolidated Financial Statements

6. Operating Segments (Cont'd)

Segment information (Cont'd)

For the year ended 31 March 2025

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Gross rental income	50,397	–	50,397
Property expenses	(5,232)	–	(5,232)
Net rental income	45,165	–	45,165
Fair value loss on investment properties	(91,139)	–	(91,139)
Loss on derecognition of debt instruments at FVTOCI	–	(79)	(79)
Gain on disposal of financial assets at FVTPL	–	42	42
Unrealised gain on revaluation of financial assets at FVTPL	–	15,400	15,400
Provision for impairment loss on debt instruments at FVTOCI, net of reversal	–	(946)	(946)
Allowance for expected credit losses, net of reversal	(1,896)	–	(1,896)
Dividend income from equity securities	–	3,322	3,322
Interest income	6,701	9,484	16,185
Other income, gains and losses, net	4,342	(781)	3,561
Administrative expenses	(30,916)	(4,075)	(34,991)
(Loss) profit from operations	(67,743)	22,367	(45,376)
Finance costs	(22)	(1,274)	(1,296)
Share of results of associates	(2,486)	–	(2,486)
(Loss) profit before taxation	(70,251)	21,093	(49,158)

6. Operating Segments (Cont'd)

Segment information (Cont'd)

At 31 March 2025

	Property investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment assets	2,364,871	263,149	2,628,020
Segment liabilities	(60,871)	(44,177)	(105,048)
Net assets	2,304,000	218,972	2,522,972
Other segment information:			
Depreciation and amortisation	1,075	–	1,075

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, geographical analysis is not presented.

Information on major customers

No revenue from individual external customer contributed over 10% of total revenue of the Group for both years ended 31 March 2026 and 2025.

7. Interest Income

	2026 HK$'000	2025 HK$'000
Effective Interest income from:		
– debt instruments at FVTOCI	**2,009**	4,059
– bank deposits	**10,908**	12,126
	12,917	16,185

Notes to the Consolidated Financial Statements

8. Other Income, Gains and Losses, net

	2026 HK$'000	2025 HK$'000
Management fee income	**5,345**	4,017
Late payment service charges from tenants	**832**	696
Exchange gains (losses), net	**2,029**	(1,338)
Others	**119**	186
	8,325	3,561

9. Loss from Operations

	2026 HK$'000	2025 HK$'000
Loss from operations has been arrived at after charging:		
Staff costs (including directors' emoluments (note 11))	**25,918**	25,671
Retirement benefits scheme contributions	**272**	258
Total staff costs	**26,190**	25,929
Auditors' remuneration	**592**	449
Depreciation of property, plant and equipment	**404**	391
Depreciation of right-of-use assets	**501**	684
Exchange (gains) losses, net	**(2,029)**	1,338
Allowance for expected credit losses, net of reversal	**3,834**	1,896
(Net reversal of) provision for impairment loss on debt instruments at FVTOCI	**(3,718)**	946
Write-off of trade and other receivables	**–**	22
and after crediting:		
Dividend income from investments	**4,931**	3,322
Gross rental income from investment properties	**48,445**	50,397
Less:		
Direct operating expenses from investment properties that generated rental income	**(1,481)**	(2,181)
Direct operating expenses from investment properties that did not generate rental income	**(2,779)**	(3,051)
Net rental income	**44,185**	45,165

10. Finance Costs

	2026	2025
	HK$'000	HK$'000
Interest expenses on (note 34):		
Bank borrowings	**948**	1,274
Lease liabilities	**6**	22
	954	1,296

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 2026

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors:				
Chan Yan Tin, Andrew	**–**	**1,915**	**18**	**1,933**
Chan Yan Wai, Emily	**–**	**1,840**	**18**	**1,858**
Chan Yan Lam, Alan	**–**	**2,005**	**18**	**2,023**
Independent non-executive directors:				
Chan Kwok Wai	**138**	**–**	**–**	**138**
Tse Lai Han, Henry	**138**	**–**	**–**	**138**
Cheung Chong Wai, Janet	**138**	**–**	**–**	**138**
Lee Siu Kau (note 3)	**13**	**–**	**–**	**13**
	427	**5,760**	**54**	**6,241**

Notes to the Consolidated Financial Statements

11. Directors' Emoluments (Cont'd)

(a) Directors' emoluments (Cont'd)

For the year ended 31 March 2025

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chan Hoi Sow (notes 1 and 2)	–	2,801	–	2,801
Chan Yan Tin, Andrew	–	2,126	18	2,144
Chan Yan Wai, Emily	–	1,883	18	1,901
Chan Yan Lam, Alan	–	1,803	18	1,821
Independent non-executive directors:				
Chan Kwok Wai	134	–	–	134
Tse Lai Han, Henry	134	–	–	134
Cheung Chong Wai, Janet	134	–	–	134
	402	8,613	54	9,069

11. Directors' Emoluments (Cont'd)

(a) Directors' emoluments (Cont'd)

Notes:

1. A rent-free accommodation with rateable value of approximately HK$885,000, is provided to Mr. Chan Hoi Sow by the Group during the year ended 31 March 2025.

2. Mr. Chan Hoi Sow resigned as the Chairman of the Board, Managing Director and Executive Director of the Company due to retirement and appointed as the Honorary Chairman of the Company with effect from 22 August 2024.

3. Mr. Lee Siu Kau appointed as the Independent Non-Executive Director of the Company with effect from 26 February 2026.

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 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 2026 and 31 March 2025, 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.

Notes to the Consolidated Financial Statements

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 (2025: 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 (2025: Nil).

12. Individuals with Highest Emoluments

The five highest paid employees of the Group during the year included three (2025: three) directors of the Company whose emoluments were included in note 11(a) above. The emoluments of the remaining two (2025: two) individual was as follows:

	2026	2025
	HK$'000	HK$'000
Salaries, allowance and other benefits in kind	**8,838**	6,845
Retirement benefits scheme contributions	**–**	–
	8,838	6,845

Their emoluments were within the following band:

	2026	2025
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$7,500,001 to HK$8,000,000	**1**	–

During the years ended 31 March 2026 and 31 March 2025, 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.

The remaining two highest paid employees of the Group during the years ended 31 March 2026 and 2025 are Mr. Chan Hoi Sow, the controlling Shareholder of the Group and his wife.

13. Taxation

	2026	2025
	HK$'000	HK$'000
Tax (credit) charge attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**1,627**	4,933
(Over) under provision in prior years	**(2,333)**	219
Other jurisdiction		
Under provision in prior years	**–**	10
	(706)	5,162
Deferred taxation (note 26)		
Charge for the year	**130**	143
Over provision in prior years	**–**	(4)
	(576)	5,301

Hong Kong Profits Tax is calculated at 16.5% (2025: 16.5%) of the estimated assessable profit for both years.

Canada Corporate Income Tax is calculated at 26.5% (2025: 26.5%) for both years.

Notes to the Consolidated Financial Statements

13. Taxation (Cont'd)

The tax (credit) 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:

	2026 HK$'000	2025 HK$'000
Loss before taxation	**(26,937)**	(49,158)
Tax at the Hong Kong Profits Tax rate of 16.5% (2025: 16.5%)	**(4,444)**	(8,111)
Tax effect of share of results of associates	**(646)**	410
Tax effect of expenses not deductible for tax purpose	**12,719**	16,187
Tax effect of income not taxable for tax purpose	**(6,679)**	(3,083)
Tax effect of tax losses not recognised	**840**	186
(Over) under provision of taxation in respect of prior years	**(2,333)**	225
Tax concession	**(33)**	(21)
Utilisation of tax losses previously not recognised	**–**	(495)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**–**	3
Tax (credit) charge for the year	**(576)**	5,301

14. Dividends

	2026	2025
	HK$'000	HK$'000
Interim, paid – HK0.3 cent (2025: HK0.3 cent) per share	**832**	832
Final, proposed – HK1.4 cents (2025: HK1.4 cents) per share	**3,881**	3,881
	4,713	4,713

The final dividend of HK1.4 cents (2025: HK1.4 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 attributable to the owners of the Company is based on the following data:

	2026	2025
	HK$'000	HK$'000
Loss		
Loss for the year attributable to owners of the Company	**26,361**	54,459
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**277,232,883**	277,232,883

The Company had no dilutive potential ordinary shares outstanding in both the years ended 31 March 2026 and 2025. Accordingly, diluted loss per share is the same as basic loss per share.

16. Investment Properties

	2026	2025
	HK$'000	HK$'000
FAIR VALUE		
At 1 April	**1,937,917**	2,029,390
Fair value loss recognised in profit or loss	**(40,480)**	(91,139)
Exchange adjustments	**258**	(334)
At 31 March	**1,897,695**	1,937,917

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:

	2026 HK$'000	2025 HK$'000
Properties in Hong Kong		
Medium-term lease	**1,236,200**	1,266,280
Long-term lease	**656,500**	666,900
	1,892,700	1,933,180
Properties in Canada		
Freehold	**4,995**	4,737
	1,897,695	1,937,917

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 + Doolan Appraisers 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 valuations were performed in accordance with "HKIS Valuation Standards 2024" published by The Hong Kong Institute of Surveyors and/or "International Valuation Standards" published by the International Valuation Standards Council and/or the "RICS Valuation - Global Standards" published by the Royal Institution of Chartered Surveyors and/or the Canadian Uniform Standards of Professional Appraisal Practice published by the Appraisal Institute of Canada for both years.

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
	2026	2025				
	HK$'000	HK$'000				
Investment properties located in Hong Kong	**1,892,700**	1,933,180	Level 3	Combination of direct comparison method and income capitalisation method	Estimated market unit rent per square foot HK$46-HK$258 (2025: HK$38-HK$258); and capitalisation rate 2.55%-3.85% (2025: 2.55%-3.85%)	The increase/decrease in the market unit rent would result in an increase/decrease in the fair value of the property. The increase/decrease in the capitalisation rate would result in a decrease/increase in the fair value of the property.
Investment properties located in Canada	**4,995**	4,737	Level 3	Direct comparison method	Estimated market unit sales price per square foot CAD976 (2025: CAD976)	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

	Leasehold buildings HK$'000	Furniture and office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2024, 31 March 2025, 1 April 2025 and 31 March 2026	**3,205**	**6,139**	**9,056**	**4,057**	**22,457**
ACCUMULATED DEPRECIATION					
At 1 April 2024	3,205	6,139	8,636	3,115	21,095
Provided for the year	–	–	190	201	391
At 31 March 2025 and 1 April 2025	**3,205**	**6,139**	**8,826**	**3,316**	**21,486**
Provided for the year	**–**	**–**	**202**	**202**	**404**
At 31 March 2026	**3,205**	**6,139**	**9,028**	**3,518**	**21,890**
CARRYING AMOUNTS					
At 31 March 2026	**–**	**–**	**28**	**539**	**567**
At 31 March 2025	–	–	230	741	971

18. Right-of-use Assets

	Leasehold land	Leased properties	Total
	HK$'000	HK$'000	HK$'000
At 31 March 2025			
Carrying amounts	14,366	442	14,808
At 31 March 2026			
Carrying amounts	**14,274**	**33**	**14,307**
For the year ended 31 March 2026			
Depreciation charge	**92**	**409**	**501**
For the year ended 31 March 2025			
Depreciation charge	93	591	684

	2026	2025
	HK$'000	HK$'000
Total cash outflow for leases	**422**	611
Additions to right-of-use assets	**–**	89

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

For both years, the Group leases properties for its staff's quarter. Lease contract is entered into for fixed term of 2 years (2025: 2 years) for the properties. 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

	2026 HK$'000	2025 HK$'000
Share of net assets	**259,275**	257,158
Amounts due to associates	**(2,704)**	(2,778)
	256,571	254,380

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

Details of the Group's principal associates at 31 March 2026 and 2025 are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group		Principal activities
			2026	2025	
Win Easy Development Limited ("Win Easy")	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 associates, Win Easy and its subsidiaries, is set out below. The summarised consolidated financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRS Accounting Standards.

Financial position

	2026	2025
	HK$'000	HK$'000
Non-current assets (note)	**516,801**	517,556
Current assets	**29,373**	24,590
Current liabilities	**(9,840)**	(10,152)
Non-current liabilities	**(17,784)**	(17,679)
Net assets	**518,550**	514,315
Proportion of the Group's ownership interest	**50%**	50%
Group's share of net assets of Win Easy and its subsidiaries	**259,275**	257,158

Note: Non-current assets include the investment properties with the carrying amounts of HK$513,900,000 (2025: HK$517,460,000) as at the end of the reporting period.

Profit or loss and other comprehensive income

	2026	2025
	HK$'000	HK$'000
Revenue	**16,563**	19,356
Profit (loss) for the year	**7,835**	(4,973)
Other comprehensive income	**–**	–
Total comprehensive income (expense) for the year	**7,835**	(4,973)
Share of results of associates comprises:		
Share of profit (loss) of associates	**4,126**	(1,414)
Share of taxation of associates	**(208)**	(1,072)
	3,918	(2,486)
Dividend paid by Win Easy during the year	**3,600**	3,600

20. Financial Assets

	2026 HK$'000	2025 HK$'000
Debt instruments at FVTOCI (note):		
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 to perpetual maturity	**24,587**	32,983
Financial assets at FVTPL:		
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
Listed equity securities in Hong Kong	**108,169**	93,063
Listed equity securities in overseas	**9,354**	1,862
	117,523	94,925
Financial assets designated at FVTPL:		
Club debenture	**700**	700
	118,223	95,625
	142,810	128,608
Analysed for reporting purposes as:		
Debt instruments at FVTOCI:		
Non-current assets	**23,696**	29,478
Current assets	**891**	3,505
	24,587	32,983
Financial assets at FVTPL:		
Non-current assets	**700**	700
Current assets	**117,523**	94,925
	118,223	95,625
	142,810	128,608

Note:

The debt instruments are held by the Group within a business model which 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.

Details of impairment assessment and information about the fair value hierarchy at the end of the reporting period are set out in note 32.

21. Trade and Other Receivables

	2026	2025
	HK$'000	HK$'000
Trade receivables – rental receivables	**7,622**	4,166
Less: Allowance for credit losses	**(3,270)**	(1,138)
	4,352	3,028
Other receivables		
Interest receivables	**5,751**	7,052
Utilities deposits	**2,279**	2,139
Prepayments	**1,358**	1,563
Management fee receivable from associates	**1,513**	958
Others	**4,577**	2,146
	15,478	13,858
Less: Allowance for credit losses (note)	**(5,605)**	(5,452)
	9,873	8,406
	14,225	11,434

Note:

The amount mainly included a provision for allowance for expected credit losses of interest receivables on a debt instrument at FVTOCI.

21. Trade and Other Receivables (Cont'd)

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 trade receivables, net of allowance for credit losses, presented based on the due date.

	2026	2025
	HK$'000	HK$'000
1 – 30 days	**696**	347
31 – 60 days	**515**	340
61 – 90 days	**515**	318
Over 90 days	**2,626**	2,023
	4,352	3,028

The movements in allowance for expected credit losses of trade receivables during the years are set out below:

	2026	2025
	HK$'000	HK$'000
Balance at beginning of the year	**1,138**	263
Increase in allowance for credit losses recognised in profit or loss	**2,132**	993
Amount written off as uncollectible	**–**	(118)
Balance at end of the year	**3,270**	1,138

The movements in allowance for expected credit losses of other receivables during the years are set out below:

	2026	2025
	HK$'000	HK$'000
Balance at beginning of the year	**5,452**	4,746
Increase in allowance for credit losses recognised in profit or loss	**1,702**	1,230
Reversal of allowance for credit losses	**–**	(327)
Amount written off as uncollectible	**(1,549)**	(197)
Balance at end of the year	**5,605**	5,452

The Group does not hold any collateral over these balances apart from the rental deposits received.

22. Bank Balances and Cash and Time Deposit with Maturity Over Three Months

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rates ranging from 0.001% to 3.95% (2025: 0.001% to 4.57%) per annum with an original maturity of three months or less.

As at 31 March 2026, time deposit with maturity over three months carry interest at 3.55% (2025: 4.28% to 4.57%) per annum.

Included in bank balances and cash and time deposit with maturity over three months are denominated in currencies other than the functional currencies of the respective group entities:

	2026	2025
	HK$'000	HK$'000
Renminbi ("RMB")	**22**	20
Canadian dollar ("CAD")	**71**	71
United States dollars ("USD")	**283,304**	253,466

23. Other Payables

	2026	2025
	HK$'000	HK$'000
Contract liabilities (note (i))	**2,526**	3,002
Other payables		
Accrued interests	**55**	63
Dividend payable	**977**	913
Accrued expenses (note(ii))	**4,314**	1,881
	7,872	5,859

Notes:

(i) The balance of receipts in advance in relation to rental income as at 1 April 2025 of approximately HK$3,002,000 (1 April 2024: approximately HK$2,324,000) was fully recognised as revenue during the year.

As at 31 March 2026, none of receipts in advance in relation to rental income that is expected to be recognised as revenue after more than one year (2025: Nil)

(ii) Included in the balance as at 31 March 2026, there was approximately HK$1,930,000 (2025: HK$8,600) payable arising from repair and maintenance.

24. Lease Liabilities

	2026 HK$'000	2025 HK$'000
Within one year	**34**	416
Within a period of more than one year but not exceeding two years	**–**	34
	34	450
Less: Amount due for settlement within one year shown under current liabilities	**(34)**	(416)
Amount due for settlement after one year shown under non-current liabilities	**–**	34

The weighted average incremental borrowing rate applied to lease liabilities was 2.50% to 3.10% (2025: 2.50% to 3.10%).

There were no rental expenses from short-term leases for the year. (2025: Nil).

25. Secured Bank Borrowings

	2026 HK$'000	2025 HK$'000
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	**3,119**	3,002
More than one year but not exceeding two years	**3,193**	3,081
More than two years but not exceeding five years	**10,040**	9,737
More than five years	**22,331**	25,909
	38,683	41,729
Less: Amounts due within one year shown under current liabilities	**(3,119)**	(3,002)
Amount due after one year shown under non-current liabilities	**35,564**	38,727

All of the bank loans were denominated in Hong Kong dollars with interest rate at 1.25% (2025: 1.25%) over Hong Kong Interbank Offered Rate ("HIBOR") per annum.

At the end of the reporting period, the Group's banking facilities amounting to approximately HK$39,183,000 (2025: HK$42,230,000) were supported by (i) a corporate guarantee provided by the Company; and (ii) certain investment properties held by subsidiaries. Details of the assets pledged are disclosed in note 29 to the consolidated financial statements.

The Group's bank borrowings are subject to the fulfilment of covenants relating to certain financial requirements. The Group regularly monitors its compliance with these covenants and has complied with those covenants throughout the reporting period.

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 2024	(718)	36,150	35,432
Charge for the year (note 13)	20	119	139
At 31 March 2025 and 1 April 2025	**(698)**	**36,269**	**35,571**
Charge for the year (note 13)	**11**	**119**	**130**
At 31 March 2026	**(687)**	**36,388**	**35,701**

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:

	2026	2025
	HK$'000	HK$'000
Deferred tax assets	**188**	168
Deferred tax liabilities	**(35,889)**	(35,739)
	(35,701)	(35,571)

With regard to the Group's investment properties, as none of them is held under a business model which 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. 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.

At the end of the reporting period, the Group has unused tax losses of approximately HK$21,668,000 (2025: approximately HK$16,018,000) 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.

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27. Share Capital

	2026		2025	
	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 2026 in respect of MPF Scheme amounted to approximately HK$272,000 (2025: approximately HK$258,000).

During the years ended 31 March 2026 and 2025, 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 2026 and 2025, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

29. Pledge of Assets

Investment properties with carrying amounts of HK$256,800,000 (2025: HK$261,400,000) were pledged to secure the banking facilities granted to the Group.

30. Operating Lease Arrangements

The Group as lessor

The investment properties of the Group are expected to generate average rental yields of approximately 2.51% (2025: approximately 2.60%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years (2025: three years).

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

	2026	2025
	HK$'000	HK$'000
Within one year	**37,718**	36,249
More than one year but within two years	**16,241**	13,430
More than two years but within three years	**1,621**	2,022
	55,580	51,701

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.

	2026 HK$'000	2025 HK$'000
Received from associates:		
Management fee income	**5,345**	4,017
Dividend income	**1,800**	1,800
Rental income received from a related company controlled by close family member of Mr. Chan Yan Tin Andrew, a director of the Company	**1,296**	–
Consultancy expense paid to a close family member of three executive directors	**348**	–

The directors 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

	2026 HK$'000	2025 HK$'000
Financial assets		
Debt instruments at FVTOCI	**24,587**	32,983
Financial assets at FVTPL	**118,223**	95,625
Financial assets at amortised cost		
– Financial assets included in trade and other receivables	**12,867**	9,871
– Bank balances and cash	**294,067**	276,942
	449,744	415,421
Financial liabilities at amortised cost		
Financial liabilities included in other payables	**5,346**	2,857
Deposits received from tenants	**21,553**	18,803
Lease liabilities	**34**	450
Secured bank borrowings	**38,683**	41,729
	65,616	63,839

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, bank balances and cash, time deposit with maturity over three months, financial liabilities included in other payables, 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 currencies denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2026 HK$'000	**Liabilities 2026 HK$'000**	Assets 2025 HK$'000	Liabilities 2025 HK$'000
RMB	**22**	**–**	20	–
CAD	**71**	**30**	75	40
USD	**319,595**	**–**	288,311	–

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 and CAD against HK$. As HK$ is pegged to USD, it is assumed that there would be no material currency risk between USD and HK$ and therefore USD is excluded from the sensitivity analysis below:

	Loss for the year		**Other comprehensive income**	
	2026 HK$'000	2025 HK$'000	**2026 HK$'000**	2025 HK$'000
RMB	**1**	1	**–**	–
CAD	**–**	–	**2**	2

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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:

2026

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Contractual undiscounted cash flows HK$'000	Carrying amounts HK$'000
Financial liabilities included in other payables	5,346	–	–	–	–	5,346	5,346
Deposits received from tenants	–	9,565	10,512	1,476	–	21,553	21,553
Lease liabilities	–	34	–	–	–	34	34
Secured bank borrowings	–	3,994	3,994	11,982	23,965	43,935	38,683
	5,346	13,593	14,506	13,458	23,965	70,868	65,616

2025

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Contractual undiscounted cash flows HK$'000	Carrying amounts HK$'000
Financial liabilities included in other payables	2,857	–	–	–	–	2,857	2,857
Deposits received from tenants	1,331	9,965	5,154	2,353	–	18,803	18,803
Lease liabilities	–	422	34	–	–	456	450
Secured bank borrowings	–	4,052	4,052	12,156	28,120	48,380	41,729
	4,188	14,439	9,240	14,509	28,120	70,496	63,839

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 2026 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 time deposits and bank balances are deposited with banks of high credit quality ratings in both 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.

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 March 2026, allowance for credit losses of approximately HK$ 1,702,000 (2025: approximately HK$1,230,000) was recognised in the consolidated statement of profit or loss and comprehensive income.

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 2026 would decrease/increase by approximately HK$1,698,000 (2025: increase/decrease by approximately HK$313,000).

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 2026, carrying values of debt instruments at FVTOCI and financial assets at FVTPL which were stated at their fair values amounted to approximately HK$24,587,000 (2025: approximately HK$32,983,000) and approximately HK$118,223,000 (2025: HK$94,925,000) 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$3,688,000 (2025: HK$4,947,000) and changes in results for the year of approximately HK$17,733,000 (2025: approximately HK$14,239,000) 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for these financial assets held by the Group, which are listed debt instruments and listed equity securities, is the current price within the bid-ask spread in stock market and bond market. These instruments are included in level 1 which comprise primarily investments classified as financial assets at fair value through other comprehensive income (listed debt instruments) and financial assets at fair value through profit or loss (listed equity securities).

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 March 2026	31 March 2025		
	HK$'000	HK$'000		
Financial assets at FVTOCI				
– Listed debt instruments	**24,494**	24,903	Level 1	Quoted market prices in active markets
– Listed debt instruments	**93**	8,080	Level 2	Quoted market prices provided by financial institution
Financial assets at FVTPL				
– Listed equity securities	**117,523**	94,925	Level 1	Quoted market prices in active markets
– Unlisted club debenture	**700**	700	Level 2	Market approach

32. Financial Instruments (Cont'd)

(c) Fair values measurement of financial instruments (Cont'd)

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

There were no transfers between Levels 1, 2 and 3 in both years.

The directors 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 2026, the Group's strategy remained unchanged as compared to 31 March 2025. 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) divided by total equity.

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

	2026	2025
	HK$'000	HK$'000
Secured bank borrowings, net of bank balances and cash	**(255,384)**	(235,213)
Total equity	**2,518,689**	2,522,972
Net debt to total equity ratio	**N/A**	N/A

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 to associates	Interest payables (included in other payables)	Secured bank borrowings	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2024	2,849	90	44,586	950	48,475
Changes from financing cash flows:					
Repayment	(72)	–	(2,857)	(611)	(3,540)
Other changes:					
New lease entered	–	–	–	89	89
Interest expenses (note 10)	–	1,274	–	22	1,296
Interest paid	–	(1,301)	–	–	(1,301)
At 31 March 2025 and 1 April 2025	**2,777**	**63**	**41,729**	**450**	**45,019**
Changes from financing cash flows:					
Repayment	(73)	(956)	(3,046)	(422)	(4,497)
Other changes:					
Interest expenses (note 10)	–	948	–	6	954
At 31 March 2026	**2,704**	**55**	**38,683**	**34**	**41,476**

35. Principal Subsidiaries

Details of the Company's wholly owned principal subsidiaries at 31 March 2026 and 2025 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 and Tern Management Limited), are directly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. Statement of Financial Position of the Company

	Notes	2026 HK$'000	2025 HK$'000
Non-current assets			
Interests in subsidiaries		**33,719**	33,719
Interests in associates*		**–**	–
Property, plant and equipment		**539**	741
		34,258	34,460
Current assets			
Other receivables		**5,203**	4,439
Amounts due from subsidiaries		**643,006**	580,547
Amount due from an associate		**–**	26
Bank balances and cash		**84,990**	145,571
		733,199	730,583
Current liabilities			
Other payables		**1,396**	1,294
Amounts due to subsidiaries		**36,225**	33,964
Amount due to an associate		**–**	2,803
		37,621	38,061
Net current assets		**695,578**	692,522
Non-current liabilities			
Amount due to an associate		**2,704**	–
Deferred tax liabilities		**67**	90
		2,771	90
Net assets		**727,065**	726,892
Capital and reserves			
Share capital	27	**229,386**	229,386
Reserves	37	**497,679**	497,506
Total equity		**727,065**	726,892

* The amount is less than HK$1,000.

The Company's statement of financial position was approved and authorised for issue by the board of directors on 17 June 2026 and are signed on its behalf by:

Chan Yan Wai, Emily
Director

Chan Yan Tin, Andrew
Director

Notes to the Consolidated Financial Statements

37. Reserves of the Company

	Dividend reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000
At 31 March 2024 and 1 April 2024	3,881	491,621	495,502
Profit and total comprehensive income for the year	–	6,717	6,717
Dividends declared	4,713	(4,713)	–
Dividends paid	(4,713)	–	(4,713)
At 31 March 2025 and 1 April 2025	**3,881**	**493,625**	**497,506**
Profit and total comprehensive income for the year	**–**	**4,886**	**4,886**
Dividends declared	**4,713**	**(4,713)**	**–**
Dividends paid	**(4,713)**	**–**	**(4,713)**
At 31 March 2026	**3,881**	**493,798**	**497,679**

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				
	2026	2025	2024	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**48,445**	50,397	56,032	51,876	57,128
Loss for the year attributable to owners of the Company	**(26,361)**	(54,459)	(9,797)	(75,204)	(55,083)
Basic loss per share (HK dollars)	**(0.10)**	(0.20)	(0.04)	(0.27)	(0.20)

Assets and Liabilities

	As at 31 March				
	2026	2025	2024	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,623,032**	2,628,020	2,683,198	2,753,605	2,836,393
Total liabilities	**104,343**	105,048	108,091	109,310	109,584
Total equity attributable to owners of the Company	**2,518,689**	2,522,972	2,575,107	2,644,295	2,726,809

Particulars of Major Properties

Details of properties held by the Group at 31 March 2026 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%

Particulars of Major Properties

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%