



TERN
PROPERTIES
COMPANY
LIMITED

STOCK CODE : 277

2007 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow *Chairman and Managing Director*
Chan Yan Tin, Andrew
Chan Siu Keung, Leonard

Independent Non-Executive Directors

Wong Wellington
Chan Kwok Wai
Tse Lai Han, Henry

AUDIT COMMITTEE

Chan Kwok Wai *Committee Chairman*
Wong Wellington
Tse Lai Han, Henry

REMUNERATION COMMITTEE

Chan Kwok Wai *Committee Chairman*
Tse Lai Han, Henry

COMPANY SECRETARY

Lee Yip Wah, Peter

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited
DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

HLM & Co.
Certified Public Accountants, Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo

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
Hong Kong

WEBSITE

www.tern.hk

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Hoi Sow

Mr. Chan, aged 73, has been the Chairman and Managing Director of the Group since 1987. Mr. Chan has more than 30 years experience in property investment and development in Hong Kong, the Mainland China and overseas.

CHAN Yan Tin, Andrew

Mr. Chan, aged 43, 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. Mr. Chan is a son of Mr. Chan Hoi Sow. He graduated from Simon Fraser University, and has extensive experience in property investment and development in Hong Kong, the Mainland China and overseas.

CHAN Siu Keung, Leonard

Mr. Chan, aged 50, has been an executive director of the Company since October 1994. Mr. Chan is a qualified accountant. He joined the Group in 1992 and has extensive experience in finance and investment.

WONG Wellington

Mr. Wong, aged 82, has been an independent non-executive director of the Company since September 2004. He is also a member of the audit committee. He completed his study in the University of Hong Kong in Social Study. He was admitted to practice law in Hong Kong in 1963. He was one of the two founders and a Senior Partner of Ho & Wong, Solicitors & Notaries from 1965 till 2000 when he retired from the partnership and remained as a Consultant of the firm. Mr. Wong was appointed a Justice of the Peace in 1981.

CHAN Kwok Wai

Mr. Chan, aged 48, has been an independent non-executive director of the Company since September 2004. He is also the chairman of the audit committee and the chairman of the remuneration committee. He holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of the Hong Kong Securities Institute. He has over 20 years of experience in finance and accounting industry. Mr. Chan is currently a director of High Progress Consultants Limited and an independent non-executive director of the five listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Junefield Department Store Group Limited, National Electronics Holdings Limited, Far East Consortium International Limited and China Investments Holdings Limited.

TSE Lai Han, Henry

Mr. Tse, aged 42, has been an independent non-executive director of the Company since September 2004. He is also a member of the audit committee and a member of the remuneration 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 through various postings with major contractors and developers in Hong Kong and overseas. He is presently the Deputy General Manager of a property developer in Macau.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's audited consolidated profit for the year ended 31 March 2007, after providing for taxation, amounted to HK\$89,049,028. Earnings per share for the year was HK\$0.29.

DIVIDENDS

The Board recommends the payment of a final dividend of HK2.5 cents (2006: HK2.3 cents) per share payable to the shareholders whose name appear on the Register of Members on 3 August 2007. This dividend, together with the interim dividend of HK1.5 cents per share already paid in January 2007, will make a total distribution of HK4.0 cents (2006: HK3.8 cents) per share for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 3 August 2007 to Friday, 10 August 2007, 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 and to determine the identity of the shareholders entitled to attend and vote at the meeting, all transfers 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, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 August 2007. It is expected that the final dividend warrants will be despatched to shareholders on or about 15 August 2007.

BUSINESS REVIEW

Hong Kong

The local economy continued to maintain its momentum throughout the year. The rental value and capital value of the Group's shops and office properties continued to increase during the year.

The Group's gross rental income for the year was HK\$48.4 million. In addition, the Group's share of gross rental income from an associate was HK\$11.2 million. Therefore the total gross rental income attributable to the Group amounted to HK\$59.6 million, representing an increase of 23.6% over that of the previous year. The substantial increase in rental income was due to the continuing increase in the rental rate of the Group's portfolio especially the shops properties.

The Group completed the purchase of The Wave situated at 184 Nathan Road on 30 January 2007. The investment property is a 15-storey commercial building with a gross floor area of 28,316 square feet and generates an annual rental income of HK\$7.5 million for the Group.

The Group's investment properties recorded a total increase in capital value of HK\$64.8 million for the year based on professional revaluation. The increase included HK\$10.0 million attributable from the investment properties of an associated company of the Group.

The Group continued to hold offshore debt securities for investment during the year. The investments generated a total of HK\$2.4 million interest income for the year. The investment portfolio amounted to HK\$30.6 million at 31 March 2007.

CHAIRMAN'S STATEMENT

Overseas

The Group took advantage of the buoyant property market in the City of Vancouver, Canada to sell three residential property units of Pointe Claire subsequent year-end. The Group is now holding the remaining three units of Pointe Claire which have been fully leased.

PROSPECTS

The central government has been trying various administrative measures to cool down specific sectors of the Mainland economy especially the property and the stock market, and open up new channels to drain away excess liquidity. The effect of these measures remains to be seen. Meanwhile the international oil price is hovering at a high level. The housing market in the United States is heading for correction, causing concern of the rippling effect on the global economy and triggering fluctuations in the international currency market. The turbulence in international finance will continue to co-exist with the developing global economy.

In the local residential property market, trading activities have increased and should maintain its pace for the year. In the commercial property market, the rental value and the capital value of shops have remained at a high level while the capital value of whole block commercial buildings has increased substantially. This trend is expected to continue this year amid the buoyant local economy.

The Group's rental income will increase substantially next year due to the purchase of the commercial building on 184 Nathan Road and the renewal of leases at higher rental rates for the other investment properties. The Group is in excellent financial position and will continue to search for suitable investment opportunities.

Finally I would like to take this opportunity to express my gratitude to all the Directors and staff members of the Group for their valuable contribution and continued support throughout the year.

Chan Hoi Sow

Chairman

Hong Kong, 29 June 2007

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION

The Group continued to hold commercial properties for rental income and invest in debt securities for interest income during the year. The Group's turnover for the year ended 31 March 2007 amounted to HK\$56.4 million (2006: HK\$125.1 million), a decrease of 55.0% from last year. The decrease was due to the decrease in securities trading activities partially offset by the increase in rental income during the year.

The Group's gross rental income for the year ended 31 March 2007 amounted to HK\$48.4 million (2006: HK\$37.6 million), an increase of 28.7% from last year. The increase was due to the purchase of The Wave, 184 Nathan Road late last year, and the continuing increase in the rental rate of the Group's portfolio especially the shops properties. At 31 March 2007, the Group held investment properties in the sum of HK\$1,378.7 million (2006: HK\$1,090.7 million), an increase of HK\$288.0 million from last year. The increase was due to the purchase of investment properties and the capital value appreciation of the Group's property portfolio during the year. The Group's share of gross rental income from an associate amounted to HK\$11.2 million (2006: HK\$10.6 million), an increase of 5.4% from last year. The Group's rental portfolio continued to achieve a high average occupancy rate of 98% during the year.

The Group's sale of securities for the year ended 31 March 2007 amounted to HK\$7.9 million (2006: HK\$87.2 million), a decrease of 90.9% from last year due to less trading activities. At 31 March 2007, the Group held debt securities investments in the sum of HK\$30.6 million (2006: HK\$29.9 million), an increase of HK\$0.7 million from last year. The investments were denominated in U.S. currency, and focused on quality corporate and banking bonds with high coupon rate.

RESULTS

The Group's profit for the year ended 31 March 2007 amounted to HK\$89.0 million (2006: HK\$129.9 million), a decrease of 31.4% from last year. The decrease was due primarily to the smaller increase in the fair value of investment properties of the Group and its associate upon revaluation at the balance sheet date compared with those of last year. The other factors for the decrease in the profit for the year included lower interest income, higher interest expense and administrative expenses alleviated by higher rental income for the year. The Group's share of results of associates after taxation amounted to HK\$15.2 million (2006: HK\$29.7 million), a decrease of 48.7% from last year. The decrease was due to the smaller increase in the fair value of investment properties of an associate upon revaluation at the balance sheet date compared with those of last year.

Earnings per share for the year ended 31 March 2007 were HK\$0.29 (2006: HK\$0.42). The proposed final dividend of HK2.5 cents (2006: HK2.3 cents) per share will make a total distribution of interim and final dividends of HK4.0 cents (2006: HK3.8 cents) per share for the full year, an increase of HK0.2 cent from last year.

BANK BORROWINGS AND FINANCE COSTS

At 31 March 2007, the Group's banking facilities amounting to HK\$512.2 million (2006: HK\$312.2 million) were fully secured by its investment properties with an aggregate carrying value amounting to HK\$1,218.9 million (2006: HK\$845.6 million). At 31 March 2007, these facilities were utilised to the extent of HK\$407.5 million (2006: HK\$169.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

At 31 March 2007, the total amount of outstanding bank borrowings net of time deposits, bank balances and cash of HK\$68.4 million were HK\$339.1 million (2006: HK\$145.7 million), an increase of HK\$193.4 million from last year. The increase was due to bank financing for the purchase of The Wave, 184 Nathan Road and the other investment properties during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was at 25.2% (2006: 11.5%).

Of the total bank loans at 31 March 2007, 0.05% were repayable within one year, 98.89% were repayable after one year but within five years and 1.06% were repayable after five years.

The Group's finance costs for the year ended 31 March 2007 were HK\$9.3 million (2006: HK\$5.6 million), an increase of 65.7% from last year. The increase was due to additional bank borrowings to finance the purchase of investment properties during the year.

SHAREHOLDERS' FUNDS

At 31 March 2007, the Group's shareholders' funds amounted to HK\$1,344.4 million (2006: HK\$1,267.1 million), an increase of 6.1% from last year. The net asset value per share was HK\$4.37 (2006: HK\$4.12). The increase in shareholders' funds was due to the increase in the fair value of the investment properties of the Group and its associate upon revaluation at the balance sheet date.

RISKS OF FLUCTUATIONS IN EXCHANGE RATE AND INTEREST RATE

Over 98% of the Group's bank borrowings are denominated in Hong Kong dollars and are secured by the properties in Hong Kong. The remaining bank borrowings are denominated in Canadian dollars and are secured by the properties in Canada. Only the equity portion of the Canadian properties is subject to exchange rate risk. The amount accounted for 1% of the Group's net assets.

Most of the Group's bank borrowings are revolving loans with floating interest rate based on HIBOR. Since the Group's gearing ratio is not high and the cash flow generated from the rental income is several times higher than the bank interest expenses, the interest rate risk associated with the bank borrowings is not substantial.

The investments in debt securities are denominated in U.S. dollars. Since the exchange rate of Hong Kong currency is pegged against the U.S. currency, the exchange rate risk of these investments is minimal. However they are subject to interest rate risk. To minimise the interest rate risk, the Group invests in those securities with short to medium maturity period and high coupon rate. The quality and liquidity of the investments are also considered in the Group's investment decisions with market monitoring on a daily basis.

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2007, the total number of staff of the Group was 12 (2006: 11). The total staff costs including Directors' remuneration amounted to HK\$7.8 million (2006: HK\$7.5 million).

The Group reviews staff remuneration annually. The review is based on individual performance and merit.

CORPORATE GOVERNANCE

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 Code on Corporate Governance Practices (“the Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2007, except that the roles of chairman and chief executive officer are performed by the same individual which is a deviation from provision A.2.1 of the Code, and that the Independent Non-Executive Directors are appointed with no specific terms which is a deviation from provision A.4.1 of the Code.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“the Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The Board comprises six members, three of which are Executive Directors, namely Mr. Chan Hoi Sow who is the Chairman of the Board, Mr. Chan Yan Tin, Andrew and Mr. Chan Siu Keung, Leonard. The other three members are Independent Non-Executive Directors, namely Mr. Wong Wellington, Mr. Chan Kwok Wai and Mr. Tse Lai Han, Henry.

The Board held four meetings during the year ended 31 March 2007. 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.

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

Mr. Chan Hoi Sow, the Chairman of the Board is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company. 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.

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. None of the Independent Non-Executive Directors of the Company is appointed for a specific term. However, one-third of all the Directors are subject to retirement from office by rotation at the annual general meeting in accordance with Article 103 of the Articles of Association of the Company. The term of appointment of all the Directors is the period up to their retirement by rotation.

REMUNERATION COMMITTEE

The Remuneration Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages for all the Directors and senior management to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

The Remuneration Committee comprises two Independent Non-Executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee and Mr. Tse Lai Han, Henry.

The Remuneration Committee held one meeting during the year ended 31 March 2007. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages of all the Directors and senior management to the Board.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. The Chairman of the Board is responsible to identify and propose suitable candidates to join the Board for filling the casual vacancy or for the appointment of additional directors. The members of the Board consider the professional qualification and the practical experience of the candidates concerned and recommend to the Board for approval.

The Board did not nominate or appoint any new director during the year ended 31 March 2007.

CORPORATE GOVERNANCE

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditors, HLM Co. for its audit services for the year ended 31 March 2007 amounted to HK\$262,000. The auditors did not provide any non-audit service to the Group during the year.

AUDIT COMMITTEE

The Audit Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditor, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other legal requirements, and to review the Group's financial reporting system and internal control procedures.

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Wong Wellington and Mr. Tse Lai Han, Henry.

The Audit Committee held two meetings during the year ended 31 March 2007. The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2006 and for the six months ended 30 September 2006 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditors for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2007 with the Directors.

ATTENDANCE OF DIRECTORS AT MEETINGS

The attendance of the Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 March 2007 is set out below:

Directors	Number of Meetings Attended/Held		
	Board	Audit Committed	Remuneration Committee
Executive Directors			
Chan Hoi Sow (<i>Chairman and Managing Director</i>)	4/4	–	–
Chan Yan Tin, Andrew	4/4	–	–
Chan Siu Keung, Leonard	4/4	2/2	1/1
Independent Non-Executive Directors			
Wong Wellington	4/4	2/2	–
Chan Kwok Wai	4/4	2/2	1/1
Tse Lai Han, Henry	4/4	2/2	1/1

CORPORATE GOVERNANCE

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 profit and cash flows for the year ended 31 March 2007 in accordance with the 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 auditors of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditors' Report on page 16.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal controls. The Board is committed to implement and maintain an effective and sound system of internal controls to safeguard the Group's assets and protect the interest of the shareholders.

The Board has conducted an annual review of the effectiveness of the internal control system of the Company and its subsidiaries. The review covered relevant financial, operational and compliance controls and risk management functions. The Board has concluded that the Group's overall system of internal controls has effectively exercised its functions during the year, and will continue to improve the operation of the system.

COMMUNICATION WITH SHAREHOLDERS

Interim reports and annual reports have been prepared and sent to the Company's shareholders in accordance with the requirements of the Listing Rules.

The Chairman of the Board, the Chairman of the Audit Committee and Remuneration Committee and all the Directors attended the Annual General Meeting held on 4 August 2006 to answer questions raised by the Company's shareholders and communicate with them.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 17 and 18 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 17.

An interim dividend of HK1.5 cents per share amounting to HK\$4,617,187 was paid on 10 January 2007. The Directors now recommend the payment of a final dividend of HK2.5 cents per share to be paid to the shareholders on the Register of Members on 3 August 2007 amounting to HK\$7,695,314 and the retention of the remaining profit for the year of HK\$146,347,106.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the balance sheet date. The net surplus arising on revaluation, which has been credited directly to the income statement, amounted to HK\$54,805,288.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 14 and 15 to the financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2007 are set out on pages 50 to 52.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 24 to the financial statements.

DIRECTORS

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

Executive Director

Mr. Chan Hoi Sow
Mr. Chan Yan Tin, Andrew
Mr. Chan Siu Keung, Leonard

Independent Non-Executive Director

Mr. Wong Wellington
Mr. Chan Kwok Wai
Mr. Tse Lai Han, Henry

DIRECTORS' REPORT

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).

In accordance with Article 103 of the Articles of Association of the Company, Mr. Chan Siu Keung, Leonard and Mr. Wong Wellington shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2007, 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 Companies were as follows:

Long positions in Shares of the Company:

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Mr. Chan Hoi Sow	Beneficial Owner	Personal Interest	2,036,000	172,516,896	56.05
	Interest of Controlled Corporation (<i>note</i>)	Corporate Interest	170,480,896		
Mr. Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Mr. Chan Siu Keung, Leonard	–	–	–	–	–
Mr. Wong Wellington	–	–	–	–	–
Mr. Chan Kwok Wai	–	–	–	–	–
Mr. Tse Lai Han, Henry	–	–	–	–	–

Note: Mr. Chan Hoi Sow had a 100% interest in Beyers Investments Limited which, through its wholly owned subsidiary, Noranger Company Limited, held 144,658,000 ordinary shares of the Company. He also had a 100% interest in Evergrade Investments Limited which held 25,822,896 ordinary shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madam Chan Loo Kuo Pin, were deemed to have interests in 170,480,896 ordinary shares of the Company.

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 2007 or had been granted or exercised any such right during the year.

DIRECTORS' REPORT

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.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

At 31 March 2007, 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 shareholder	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Loo Kuo Pin	Interest of Spouse (Note 1)	Family Interest	172,516,896	172,516,896	56.05
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	144,658,000	144,658,000	47.00
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	144,658,000	144,658,000	47.00
Evergrade Investments Limited	Beneficial Owner (Note 3)	Corporate Interest	25,822,896	25,822,896	8.39
Edward Kew	Beneficial Owner (Note 4)	Personal Interest	5,461,200	25,968,494	8.44
	Interest of Spouse (Note 4)	Family Interest	8,856,494		
	Interest of Controlled Corporation (Note 4)	Corporate Interest	11,650,800		
Kew Youn Lunn	Beneficial Owner (Note 5)	Personal Interest	2,380,800	25,968,494	8.44
	Interest of Spouse (Note 5)	Family Interest	5,461,200		
	Interest of Controlled Corporation (Note 5)	Corporate Interest	18,126,494		

DIRECTORS' REPORT

Notes:

1. The interest is in fact the same block of shares already disclosed under the personal and corporate interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
2. The two references to 144,658,000 shares relate to same block of shares in the Company. These shares are held by Noranger Company Limited which is wholly owned by Beyers Investments Limited which in turn is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
3. These shares are held by Evergrade Investments Limited which is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
4. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.
5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2007, 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

During the year, the five largest customers and suppliers of the Group accounted for less than 30% of total turnover and total purchases of the Group respectively. The Directors do not consider any one customer or supplier to be influential to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 not less than 25% of the Company's issued shares are held by the public.

AUDITORS

The financial statements for the year have been audited by Messrs. HLM & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 29 June 2007

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

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 17 to 48, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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 contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 29 June 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Turnover	4	56,353,583	125,113,465
Cost of disposal of financial assets at fair value through profit or loss		(7,926,632)	(86,193,626)
Property expenses		(2,970,272)	(2,543,353)
Unrealised gain (loss) on financial assets at fair value through profit or loss		717,102	(255,821)
Gross profit		46,173,781	36,120,665
Interest income	6	2,613,060	4,119,910
Other operating income		779,185	436,597
Administrative expenses		(17,254,803)	(14,005,353)
Increase in fair value of investment properties		54,805,288	81,738,539
Profit from operations	7	87,116,511	108,410,358
Finance costs	8	(9,279,184)	(5,598,697)
Share of results of associates		15,247,538	29,695,876
Profit before taxation		93,084,865	132,507,537
Taxation	11	(4,035,837)	(2,627,781)
Profit for the year		89,049,028	129,879,756
Dividends	12	12,312,501	11,696,876
Earnings per share	13	HK\$0.29	HK\$0.42

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Non-current assets			
Investment properties	<i>14</i>	1,378,663,440	1,090,664,790
Property, plant and equipment	<i>15</i>	4,529,104	3,057,050
Leasehold land	<i>16</i>	15,938,241	16,030,719
Interests in associates	<i>18</i>	284,830,497	275,670,059
Available-for-sale investments		2,160,500	2,160,500
		1,686,121,782	1,387,583,118
Current assets			
Trade and other receivables	<i>19</i>	4,596,757	19,564,188
Deposit paid for acquisition of investment properties		–	4,122,260
Financial assets at fair value through profit or loss	<i>20</i>	30,647,643	29,939,354
Leasehold land – current portion	<i>16</i>	92,478	92,478
Time deposits, bank balances and cash		68,376,057	23,897,535
		103,712,935	77,615,815
Current liabilities			
Trade and other payables	<i>21</i>	8,382,944	5,600,396
Rental deposits from tenants		14,316,985	11,411,454
Tax liabilities		3,158,630	2,118,018
Other loans		845,500	–
Secured bank loans – due within one year	<i>22</i>	208,819	208,911
		26,912,878	19,338,779
Net current assets		76,800,057	58,277,036
Non-current liabilities			
Deferred tax liabilities	<i>26</i>	11,232,877	9,400,245
Secured bank loans – due after one year	<i>22</i>	407,275,947	169,399,046
		418,508,824	178,799,291
Total net assets		1,344,413,015	1,267,060,863
Capital and reserves			
Share capital	<i>24</i>	153,906,261	153,906,261
Reserves		1,190,506,754	1,113,154,602
		1,344,413,015	1,267,060,863

The financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Directors on 29 June 2007 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

BALANCE SHEET

At 31 March 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Non-current assets			
Property, plant and equipment	<i>15</i>	–	–
Interests in subsidiaries	<i>17</i>	495,228,312	474,017,849
Interests in associates	<i>18</i>	1,909,758	7,996,858
		497,138,070	482,014,707
Current assets			
Trade and other receivables		109,130	109,130
Bank balances and cash		199,051	180,832
		308,181	289,962
Current liabilities			
Trade and other payables		222,125	162,766
Net current assets		86,056	127,196
Non-current liability			
Amounts due to subsidiaries	<i>23</i>	113,795,031	131,648,377
		383,429,095	350,493,526
Capital and reserves			
Share capital	<i>24</i>	153,906,261	153,906,261
Reserves	<i>25</i>	229,522,834	196,587,265
		383,429,095	350,493,526

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
At 1 April 2005	153,906,261	72,818,414	2,662,000	6,156,251	912,411,619	1,147,954,545
Profit for the year	–	–	–	–	129,879,756	129,879,756
Dividends declared	–	–	–	11,696,876	(11,696,876)	–
Dividends paid	–	–	–	(10,773,438)	–	(10,773,438)
At 31 March 2006	153,906,261	72,818,414	2,662,000	7,079,689	1,030,594,499	1,267,060,863
At 1 April 2006	153,906,261	72,818,414	2,662,000	7,079,689	1,030,594,499	1,267,060,863
Profit for the year	–	–	–	–	89,049,028	89,049,028
Dividends declared	–	–	–	12,312,501	(12,312,501)	–
Dividends paid	–	–	–	(11,696,876)	–	(11,696,876)
At 31 March 2007	153,906,261	72,818,414	2,662,000	7,695,314	1,107,331,026	1,344,413,015

The accumulated profits of the Group includes approximately HK\$282,920,738 (2006: HK\$267,673,201) retained by associates of the Group.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Profit for the year	89,049,028	129,879,756
Adjustment for:		
Share of results of associates	(15,247,538)	(29,695,876)
Interest income	(2,613,060)	(4,119,910)
Interest expenses	9,279,184	5,598,697
Income tax expenses	4,035,837	2,627,781
Dividend income	–	(239,931)
Increase in fair value of investment properties	(54,805,288)	(81,738,539)
Loss on disposal of property, plant and equipment	300,010	–
Depreciation	1,241,208	793,172
Amortisation of leasehold land	92,478	92,478
Loss (gain) on disposal of financial assets at fair value through profit or loss	3,577	(1,035,766)
Unrealised (gain) loss on financial assets at fair value through profit or loss held at year end	(717,102)	255,821
Exchange adjustment on investment properties	(270,630)	(603,470)
Operating cash flows before movements in working capital	30,347,704	21,814,213
Decrease (increase) in trade and other receivables	14,933,897	(16,487,818)
Increase in trade and other payables	2,782,548	308,391
Increase in rental deposits from tenants	2,905,531	2,229,213
Cash generated from operations	50,969,680	7,863,999
Hong Kong Profits Tax paid	(1,138,795)	(721,354)
Hong Kong Profits Tax refunded	9,736	191,707
Net cash generated from operating activities	49,840,621	7,334,352
Investing activities		
Dividend income	–	239,931
Interest received	2,613,060	4,119,910
Repayment from an associate	6,087,100	7,000,000
Proceeds from disposal of financial assets at fair value through profit or loss	7,923,055	87,229,393
Decrease (increase) in deposit paid for acquisition of investment properties	4,122,260	(4,122,260)
Acquisition of investment properties	(232,922,732)	(31,195,821)
Purchase of financial assets at fair value through profit or loss	(7,917,819)	(40,216,979)
Purchase of property, plant and equipment	(3,013,272)	(481,026)
Increase in time deposit	(66,414,750)	–
Net cash (used in) generated from investing activities	(289,523,098)	22,573,148

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Financing activities		
Repayment of bank loans	(78,123,191)	(571,149,004)
Dividend paid	(11,696,876)	(10,773,438)
Interest paid	(9,279,184)	(5,598,697)
Increase in other loan	845,500	–
New bank loans raised	316,000,000	569,000,000
Net cash generated from (used in) financing activities	217,746,249	(18,521,139)
(Decrease) increase in cash and cash equivalents	(21,936,228)	11,386,361
Cash and cash equivalents at beginning of the year	23,897,535	12,511,174
Cash and cash equivalents at end of the year	1,961,307	23,897,535
Analysis of the balances of cash and cash equivalents		
Bank balance and cash	1,961,307	1,194,531
Bank deposits	–	22,703,004
	1,961,307	23,897,535

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 17 and 18 respectively.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 23 (Revised)	Borrowing costs ²
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) – Int 11	HKFRS 2 - Group and Treasury Share Transactions ⁶
HK(IFRIC) – Int 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting 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 and by the Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Interests in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Investments

(i) Classification

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Debt securities and bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host securities and deposits are designated as financial assets at fair value through profit or loss.

Available-for-sale financial assets

This category comprises financial assets which are non-derivatives and are designated as available-for-sale financial assets or not classified under other investment categories.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading the receivables. Bank deposits are treated as loans and receivables and are disclosed as time deposits and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

(ii) Recognition and initial measurement

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in the profit and loss account. Investments not designated as fair value through profit or loss are initially recognised at fair value plus transaction costs.

(iii) Derecognition

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risk and rewards of ownership.

(iv) Gains or losses on subsequent measurement and interest income

Financial assets at fair value through profit or loss

- Investments under this category are carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in the income statement.
- Interest income is recognised using the effective interest method and included as net realised and unrealised gain or loss and interest income from these investments.

Available-for-sale financial assets

- Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in investment revaluation reserve, except for monetary securities whose exchange differences resulting from changes in amortised costs are recognised in income statement. When the securities are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal.
- Interest income is recognised using the effective interest method and disclosed as interest income.

Loans and receivables

- Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment.
- Interest income is recognised using the effective interest method and disclosed as interest income.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

(v) Fair value measurement principles

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. 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.

Leasehold land

Leasehold land are up-front payments to acquire long-term interests in lessee-occupied properties. Leasehold land are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

Property, plant and equipment

The building component of owner-occupied leasehold properties are stated at cost less accumulated depreciation. Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

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

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 derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement 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 recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rental payable under operating leases is charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement 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 balance sheet date.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Sale of financial assets at fair value through profit or loss is recognised when the title to the financial assets is transferred and the buyer takes legal possession of the financial assets.

Dividend income from financial assets is recognised when the Company's right to receive payment has been established.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will not be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Retirement benefits scheme

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. TURNOVER

Turnover represents the aggregate of amounts received and receivable from property rental income, dividend income and sales of financial assets.

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Property rental income	48,430,528	37,644,142
Sales of financial assets at fair value through profit or loss	7,923,055	87,229,392
Dividend income	–	239,931
	56,353,583	125,113,465

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions - property leasing and securities investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2007

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	48,430,528	7,923,055	56,353,583
Segment result	84,174,212	2,942,299	87,116,511
Profit from operations			87,116,511
Finance costs			(9,279,184)
Share of results of associates	15,348,228	(100,690)	15,247,538
Profit before taxation			93,084,865
Taxation			(4,035,837)
Profit for the year			89,049,028

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2007

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
Assets			
Segment assets	1,473,148,969	31,855,251	1,505,004,220
Interests in associates	283,321,904	1,508,593	284,830,497
	1,756,470,873	33,363,844	1,789,834,717
Liabilities			
Segment liabilities	34,776,943	1,363	34,778,306
Bank borrowings			407,484,766
Tax liabilities			3,158,630
			445,421,702

INCOME STATEMENT

For the year ended 31 March 2006

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	37,644,142	87,469,323	125,113,465
Segment result	103,560,282	4,850,076	108,410,358
Profit from operations			108,410,358
Finance costs			(5,598,697)
Share of results of associates	28,442,448	1,253,428	29,695,876
Profit before taxation			132,507,537
Taxation			(2,627,781)
Profit for the year			129,879,756

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2006

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
Assets			
Segment assets	1,139,378,961	50,149,913	1,189,528,874
Interests in associates	274,060,775	1,609,284	275,670,059
	1,413,439,736	51,759,197	1,465,198,933
Liabilities			
Segment liabilities	26,408,644	3,451	26,412,095
Bank borrowings			169,607,957
Tax liabilities			2,118,018
			198,138,070

Geographical segments

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

6. INTEREST INCOME

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Interest income from bank deposits and balances	197,170	314,201
Interest income from financial assets at fair value through profit or loss	2,415,890	3,805,709
	2,613,060	4,119,910

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

7. PROFIT FROM OPERATIONS

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	262,000	250,000
Depreciation	1,241,208	793,172
Amortisation of leasehold land	92,478	92,478
Staff costs (including Directors' remuneration)	7,743,763	7,403,091
Mandatory provident fund contributions	91,261	87,761
Total staff costs	7,835,024	7,490,852
and after crediting:		
Exchange gain	189,314	380,595
Dividend income	–	239,931
(Loss) gain on disposal of financial assets at fair value through profit or loss	(3,577)	1,035,766
Gross rental income from investment properties	48,430,528	37,644,141
Less:		
Direct operating expenses from investment properties that generated rental income	(2,576,051)	(2,247,510)
Direct operating expenses from investment properties that did not generate rental income	(394,221)	(295,843)
Net rental income	45,460,256	35,100,788

8. FINANCE COST

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Interest on bank borrowings:		
wholly repayable within five years	8,974,969	5,377,521
not wholly repayable within five years	304,215	221,176
	9,279,184	5,598,697

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2006: six) directors were as follows:

2007

	Fees <i>HK\$</i>	Salaries and other benefits <i>HK\$</i>	Retirement benefits scheme contributions <i>HK\$</i>	Total <i>HK\$</i>
Chan Hoi Sow (<i>Note 1</i>)	–	5,597,250	–	5,597,250
Chan Yan Tin, Andrew	–	478,333	12,000	490,333
Chan Siu Keung, Leonard	–	990,833	12,000	1,002,833
Wong Wellington (<i>Note 2</i>)	–	–	–	–
Chan Kwok Wai	60,000	–	–	60,000
Tse Lai Han, Henry	60,000	–	–	60,000
	120,000	7,066,416	24,000	7,210,416

2006

	Fees <i>HK\$</i>	Salaries and other benefits <i>HK\$</i>	Retirement benefits scheme contributions <i>HK\$</i>	Total <i>HK\$</i>
Chan Hoi Sow (<i>Note 1</i>)	–	5,359,820	–	5,359,820
Chan Yan Tin, Andrew	–	472,500	12,000	484,500
Chan Siu Keung, Leonard	–	978,750	12,000	990,750
Wong Wellington (<i>Note 2</i>)	–	–	–	–
Chan Kwok Wai	60,000	–	–	60,000
Tse Lai Han, Henry	60,000	–	–	60,000
	120,000	6,811,070	24,000	6,955,070

Note:

1. The amount includes rateable value of HK\$696,240 (2006: HK\$646,200) being rent-free accommodation provided to Chan Hoi Sow by the Company.
2. Wong Wellington waived his director's fees for the years ended 31 March 2007 and 31 March 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

10. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2006: three) were Directors of the Company whose emoluments were included in note 9. The emoluments of the remaining two (2006: two) individuals were as follows:

	2007 HK\$	2006 HK\$
Salaries and other benefits	917,600	820,800
Mandatory provident fund contributions	24,000	24,000
	941,600	844,800

The aggregate emoluments of each of the remaining two (2006: two) highest paid individuals during the years ended 31 March 2007 and 31 March 2006 were within the HK\$1,000,000 band.

During the years ended 31 March 2007 and 31 March 2006, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2007 HK\$	2006 HK\$
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	2,168,032	1,446,556
Under provision in prior years	–	2,116
	2,168,032	1,448,672
Other jurisdiction	35,173	73,381
	2,203,205	1,522,053
Deferred tax (note 26)		
Current year	1,832,632	1,105,728
	4,035,837	2,627,781

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax not provided for in the year are set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

11. TAXATION (Continued)

The tax charge (credit) for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Profit before taxation	93,084,865	132,507,537
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	16,289,851	23,188,821
Tax effect of share of profit of associates	(2,668,319)	(5,196,778)
Tax effect of expenses not deductible for tax purpose	8,841,000	18,638,223
Tax effect of income not taxable for tax purpose	(18,925,134)	(33,861,184)
Timing difference not recognised	(1,915,598)	(1,002,127)
Tax effect of tax losses not recognised	992,320	81,143
Under provision in respect of prior year	–	2,116
Utilisation of tax losses previously recognised	(446,088)	(401,542)
Effect of different tax rates of a subsidiary operating in other jurisdiction	35,173	73,381
Tax effect for the year	2,203,205	1,522,053

12. DIVIDENDS

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Interim, paid – HK1.5 cents per share (2006: HK1.5 cents per share)	4,617,187	4,617,187
Final, proposed – HK2.5 cents per share (2006: HK2.3 cents per share)	7,695,314	7,079,689
	12,312,501	11,696,876

The final dividend of HK2.5 cents per share (2006: HK2.3 cents per share) has been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

13. EARNINGS PER SHARES

The calculation of earnings per share is based on the profit for the year of HK\$89,049,028 (2006: HK\$129,879,756) and on 307,812,522 (2006: 307,812,522) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

14. INVESTMENT PROPERTIES

	THE GROUP	
	2007	2006
	HK\$	HK\$
VALUATION		
At 1 April	1,090,664,790	977,126,960
Exchange adjustments	270,630	603,470
Addition	232,922,732	31,195,821
Increase in fair value recognised in the income statement	54,805,288	81,738,539
At 31 March	1,378,663,440	1,090,664,790

The investment properties of the Group were revalued at 31 March 2007 on an open market value existing use basis by Jones Lang LaSalle Limited and Johnston, Ross & Cheng Ltd., independent valuers. The surplus arising on revaluation has been credited to consolidated income statement.

The carrying amount of investment properties shown above comprises:

	2007	2006
	HK\$	HK\$
Properties in Hong Kong		
Medium-term lease	597,400,000	547,400,000
Long-term lease	757,840,000	522,650,000
Properties outside Hong Kong		
Freehold	22,050,640	19,412,610
Long-term lease	1,372,800	1,202,180
	1,378,663,440	1,090,664,790

All the investment properties of the Group are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong <i>HK\$</i>	Furniture and office equipment <i>HK\$</i>	Leasehold improvement <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
COST					
At 1 April 2005	3,204,638	3,275,922	4,557,953	5,942,217	16,980,730
Additions	–	341,772	139,254	–	481,026
At 31 March 2006	3,204,638	3,617,694	4,697,207	5,942,217	17,461,756
Additions	–	113,975	752,497	2,146,800	3,013,272
Disposals	–	(77,365)	(437,417)	(1,200,000)	(1,714,782)
At 31 March 2007	3,204,638	3,654,304	5,012,287	6,889,017	18,760,246
ACCUMULATED DEPRECIATION					
At 1 April 2005	1,704,372	3,108,132	3,794,524	5,004,506	13,611,534
Provided for the year	128,185	100,151	191,781	373,055	793,172
At 31 March 2006	1,832,557	3,208,283	3,986,305	5,377,561	14,404,706
Provided for the year	128,185	130,024	182,560	800,439	1,241,208
Disposals	–	(77,365)	(137,407)	(1,200,000)	(1,414,772)
At 31 March 2007	1,960,742	3,260,942	4,031,458	4,978,000	14,231,142
NET BOOK VALUE					
At 31 March 2007	1,243,896	393,362	980,829	1,911,017	4,529,104
At 31 March 2006	1,372,081	409,411	710,902	564,656	3,057,050
				Furniture and office equipment <i>HK\$</i>	
THE COMPANY					
COST					
At 1 April 2005, 31 March 2006 and 31 March 2007					258,636
ACCUMULATED DEPRECIATION					
At 1 April 2005, 31 March 2006 and 31 March 2007					258,636
NET BOOK VALUE					
At 31 March 2007 and 31 March 2006					–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

16. LEASEHOLD LAND

	THE GROUP	
	2007	2006
	HK\$	HK\$
NET BOOK VALUE		
At 1 April	16,123,197	16,215,675
Amortisation	(92,478)	(92,478)
At 31 March	16,030,719	16,123,197
Current portion	(92,478)	(92,478)
Non-current portion	15,938,241	16,030,719

The leasehold land is held under long-term lease and situated in Hong Kong.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK\$	HK\$
Unlisted shares, at cost less impairment loss	48,528,428	48,528,428
Amounts due from subsidiaries less allowance	446,699,884	425,489,421
	495,228,312	474,017,849

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

17. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$2	Investment holding
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK\$2	Property investment
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Hokin Investment Limited	The British Virgin Islands/ Hong Kong	US\$1	Securities investment
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Property investment
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US\$1	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
Tern China Investments Limited	Hong Kong	HK\$2	Property investment
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

All subsidiaries are directly owned by the Company except Zepersing Limited.

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	282,920,771	267,673,233	–	–
Amount due from an associate	1,909,726	7,996,826	1,909,726	7,996,826
	284,830,497	275,670,059	1,909,758	7,996,858

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

18. INTERESTS IN ASSOCIATES (Continued)

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2007 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Milsons Investment Limited	Hong Kong	HK\$110	27.27%	Not yet commence business
Spirit Fidelity Limited	Hong Kong	HK\$2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	HK\$2	50.00%	Property investment
Easyman Limited	The British Virgin Islands/Hong Kong	US\$1	50.00%	Securities investment

The following details have been extracted from the audited financial statements of the Group's principal associates, Win Easy Development Limited and Easyman Limited:

Operating results for the year ended 31 March:

	2007	2006
	HK\$	HK\$
Turnover	69,039,954	129,197,354
Depreciation	22,295	22,295
Profit for the year	30,495,076	59,391,752
Profit attributable to the Group	15,247,538	29,695,876

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

18. INTERESTS IN ASSOCIATES (Continued)

Financial position at 31 March:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Non-current assets	584,328,823	564,451,117
Current assets	107,465,352	51,938,639
Current liabilities	(7,454,126)	(6,309,975)
Non-current liabilities	(118,498,569)	(74,733,379)
Shareholders' funds	565,841,480	535,346,402
Shareholders' funds attributable to the Group	282,920,740	267,673,201

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$682,010 (2006: HK\$506,526) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing.

All the rental receivable at the balance sheet date had an age of less than 90 days.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Analysis of financial assets at fair value through profit or loss held for trading		
Listed overseas debt securities	30,647,643	29,939,354
Market value	30,647,643	29,939,354

21. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$982,206 (2006: HK\$599,774).

All the rental receipt in advance at the balance sheet date had an age of less than 90 days.

The directors consider that the carrying amount of trade and other payable approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

22. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	THE GROUP	
	2007	2006
	HK\$	HK\$
Within one year	208,819	208,911
More than one year but not exceeding two years	220,598	220,198
More than two years but not exceeding five years	402,739,301	164,734,230
More than five years	4,316,048	4,444,618
	407,484,766	169,607,957
Less: Amount due within one year	(208,819)	(208,911)
	407,275,947	169,399,046

Over 95% of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 0.67% over HIBOR (2006: from 0.6% to 0.67% over HIBOR) per annum.

The remaining bank loan denominated in Canadian dollars with variable interest rate which is the prime rate less 0.5% (2006: prime rate less 0.5%) per annum.

23. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	2007	2006	2007	2006
			HK\$	HK\$
THE COMPANY				
Authorised:				
At 1 April and 31 March	400,000,000	400,000,000	200,000,000	200,000,000
Issued and fully paid:				
At 1 April and 31 March	307,812,522	307,812,522	153,906,261	153,906,261

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

25. RESERVES

	Share premium account <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY					
At 1 April 2005	72,818,414	2,662,000	6,156,251	21,091,473	102,728,138
Profit for the year	–	–	–	104,632,565	104,632,565
Dividends declared	–	–	11,696,876	(11,696,876)	–
Dividends paid	–	–	(10,773,438)	–	(10,773,438)
At 31 March 2006 and 1 April 2006	72,818,414	2,662,000	7,079,689	114,027,162	196,587,265
Profit for the year	–	–	–	44,632,445	44,632,445
Dividends declared	–	–	12,312,501	(12,312,501)	–
Dividends paid	–	–	(11,696,876)	–	(11,696,876)
At 31 March 2007	72,818,414	2,662,000	7,695,314	146,347,106	229,522,834

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK\$154,042,420 (2006: HK\$121,106,851) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

26. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Revaluation of properties <i>HK\$</i>
THE GROUP	
At 1 April 2005	(8,294,517)
Charge to income statement for the year	(1,105,728)
At 31 March 2006 and 1 April 2006	(9,400,245)
Charge to income statement for the year	(1,832,632)
At 31 March 2007	(11,232,877)

At the balance sheet date, the Group has unused tax losses of HK\$12,494,994 (2006: 9,222,607) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Those tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

27. PENSION SCHEME

The Group operates Mandatory Provident Fund scheme (the “MPF”) for all existing staff members of the Group.

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

The MPF 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 relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group’s contributions together with accrued return 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 charged to income statement for the year ended 31 March 2007 amounted to HK\$91,261 (2006: HK\$87,761). As at 31 March 2007, contributions due in respect of the reporting period had been fully paid over to the MPF.

28. PLEDGE OF ASSETS

At the balance sheet date, the Group’s banking facilities amounting to HK\$512,248,000 (2006: HK\$312,207,280) were fully secured by its investment properties with an aggregate carrying value amounting to HK1,218,850,640 (2006: HK\$845,612,610). These facilities were utilised to the extent of HK\$407,484,766 (2006: HK\$169,607,957) as at the balance sheet date.

29. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Subsidiaries	–	–	407,484,766	169,607,957
Associates	52,500,000	25,000,000	52,500,000	25,000,000
	52,500,000	25,000,000	459,984,766	194,607,957

The Company has not recognised any deferred income in respect of the guarantees as their fair value and transaction price cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2007	2006
	HK\$	HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	800,000	660,000

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2007	2006
	HK\$	HK\$
Within one year	960,000	660,000
In the second to fifth year inclusive	–	–
	960,000	660,000

Operating lease payments represent rental payable by the Group for the quarters of a director.

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 4% (2006: 3%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2007	2006
	HK\$	HK\$
Within one year	43,149,816	39,376,702
In the second to fifth year inclusive	11,768,058	24,332,008
	54,917,874	63,708,710

31. CAPITAL COMMITMENTS

At 31 March 2007, the Group had no capital commitments (2006: commitments of HK\$36,961,110 for the acquisition of investment properties).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

32. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK\$300,000 (2006: HK\$300,000) from an associate of the Company, Win Easy Development Limited

33. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, Kinghale Investment Limited, a wholly-owned subsidiary of the Company had entered into a binding formal agreement to purchase the property at Flat A on the 43rd Floor with two car parking spaces on 41D Stubbs Road, Hong Kong for a total cash consideration of HK\$62,320,000. Details are included in the circular dated 11 June 2007.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debt investments, bank loans, cash and bank deposits. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign currency risk

Only the equity portion of the Canadian properties is subject to exchange rate risk. The amount involved is 1% of the Group's net assets. Accordingly, the Group has no significant exposure to foreign exchange fluctuations.

Credit risk

The Group's credit risk is primarily attributable to rental receivables. The management monitored the Group's exposure to the credit risk on an on-going basis with established credit policies, and determines that the credit risk is not significant.

Liquidity risk

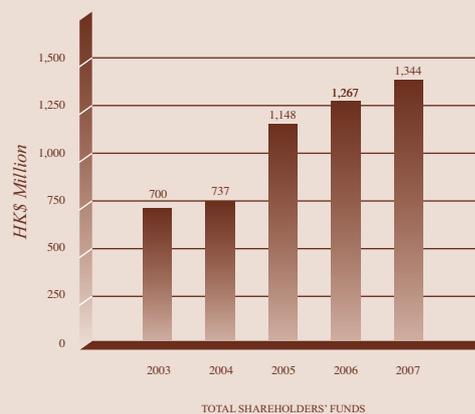
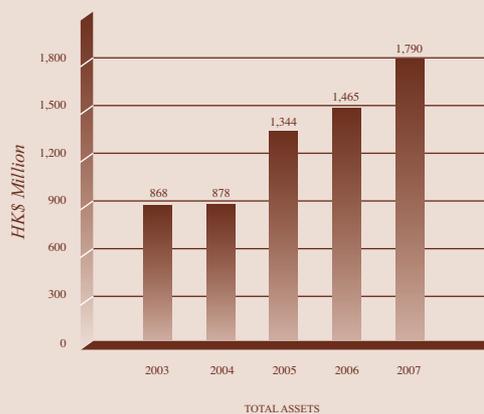
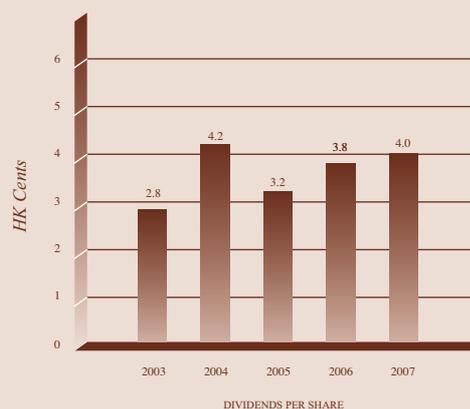
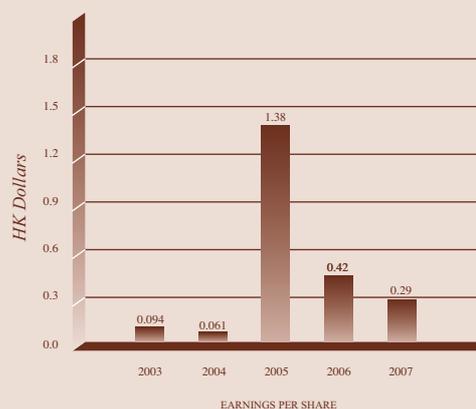
The Group's bank loans provide a continuity and flexibility of funding for the Group's operation. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the liquidity risk is not significant.

Cash flow interest rate risk

Most of the Group's bank borrowings are repayable within two to five years, with floating interest rate based on HIBOR. Since the Group's gearing ratio is not high, the interest rate risk associated with the bank borrowings is not significant.

FIVE-YEAR FINANCIAL SUMMARY

	2003 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>	2005 <i>HK\$,000</i>	2006 <i>HK\$ '000</i>	2007 <i>HK\$ '000</i>
Turnover	102,378	92,176	100,337	125,113	56,354
Profit for the year	29,040	18,692	424,162	129,880	89,049
Earnings per share	HK9.4 cents	HK6.1 cents	HK\$1.38	HK\$0.42	HK\$0.29
Dividends per share	HK2.8 cents	HK4.2 cents	HK3.2 cents	HK3.8 cents	HK4.0 cents
Total assets	868,182	878,394	1,343,774	1,465,199	1,789,835
Total liabilities	168,072	141,674	195,819	198,138	445,422
Total shareholders' funds	700,110	736,720	1,147,955	1,267,061	1,344,413



PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of properties held by the Group at 31 March 2007 are as follows:

I. LAND AND BUILDING

Location	Use	Category of lease	Group's interest
Hong Kong			
1. The whole of 26th, 27th and 28th floors, Tower I, Tern Centre, 237 Queens Road Central, Hong Kong	Office	Long-term	100%
2. Flat No. 59 on 15th floor, Tower 9 and car parking space nos. 66 and 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Directors' quarters	Long-term	100%

II. INVESTMENT PROPERTIES

Location	Use	Category of lease	Group's interest
Hong Kong			
1. Shops No. G15 and G16 on ground floor and Shop No. 8 on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2. Shop No. G17 on ground floor and Shop No. 9A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
3. Shop No. G21 on ground floor and Shop No. 11A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
4. Duplex Shop F on ground floor and 1st floor, Burlington House, 90-94C Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
5. 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%
6. Shop No. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
7. The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. INVESTMENT PROPERTIES (Continued)

Location	Use	Category of lease	Group's interest
Hong Kong			
8. The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9. The whole of ground floor and 1st, 2nd, 3rd and 5th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
10. The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
11. The whole of Tower II, Tern Centre, 251 Queens Road Central, Hong Kong	Commercial	Long-term	100%
12. The whole of 6th, 12th and 20th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
13. Unit 1 and Unit 4, 11th floor, Unit 2 and Unit 3, 13th floor and the whole of 18th floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
14. The whole of 13th floor, Thyrs House, 16 Pottinger Street, Central, Hong Kong	Commercial	Long-term	100%
15. Flat No. 95 on 22nd Floor, Tower 18 and car parking space no. 104 on Car Park Entrance 3 (Level 4), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Residential	Long-term	100%
16. Flat B on 4th floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%
17. The whole of 4th Floor, 31 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%
18. Carpark No. 31 on the podium of Level 2, 37 Repluse Bay Road, Hong Kong	Carpark	Long-term	100%
19. The whole of basement, ground floor and 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
20. The whole of 9th floor, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. INVESTMENT PROPERTIES (Continued)

Location	Use	Category of lease	Group's interest
Canada			
1. Suites No. 406, 1906, 2406, 2904, 3104 and 3201 with one carpark for each suite, Pointe Claire, 1238 Melville Street, Vancouver, British Columbia	Residential	Freehold	100%
The People's Republic of China			
1. Unit 02 on 17th floor, Block 1, Shanghai Hongkou International Apartments, 88 Si Ping Road, Hongkou, Shanghai	Residential	Long-term	100%