Annual Report

2009

Tern Properties Company Limited

Stock Code : 277

CONTENTS

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

Chan Kwok Wai
Tse Lai Han, Henry
Leung Kui King, Donald

AUDIT COMMITTEE

Chan Kwok Wai — *Committee Chairman*
Tse Lai Han, Henry
Leung Kui King, Donald

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lee Yip Wah, Peter

PRINCIPAL BANKERS

Wing Lung Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation 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 75, 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. He is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company.

CHAN Yan Tin, Andrew

Mr. Chan, aged 45, has been an executive director of the Company since January 2004. He was an executive director from October 1987 to April 2001 and a non-executive director from April 2001 to January 2004. He graduated from Simon Fraser University, and has extensive experience in property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company.

CHAN Siu Keung, Leonard

Mr. Chan, aged 52, 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.

CHAN Kwok Wai

Mr. Chan, aged 50, 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 44, 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.

LEUNG Kui King, Donald

Mr. Leung, aged 53, has been an independent non-executive director of the Company since April 2008. He is also a member of the audit committee. He graduated from The University of California, Berkeley and completed Harvard University's Advanced Management Program. Mr. Leung started his career in banking with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then spent 20 years with Sun Hung Kai Properties Group and retired as Assistant to Chairman in January 2006. He was an executive director of SUNeVision Holdings Ltd., a listed public company in Hong Kong, up to December 2005.

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report for the year ended 31 March 2009 to the shareholders.

RESULTS

The Group's audited consolidated loss for the year ended 31 March 2009, after providing for taxation, amounted to HK$266,864,803. Loss per share for the year was HK$0.87.

DIVIDENDS

The Board of Directors of the Company has resolved to recommend a final dividend of HK1.5 cents per share for the year ended 31 March 2009. This proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 7 August 2009, will be payable on Wednesday, 12 August 2009 to the shareholders on the Register of Members of the Company on Friday, 31 July 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 31 July 2009 to Friday, 7 August 2009, 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 annual general 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, 30 July 2009.

BUSINESS REVIEW

Hong Kong

The local economy has been weakening since the final quarter of last year. However the Group's rental income continued to increase despite decrease in the capital value of the Group's investment properties during the year.

The Group's gross rental income for the year was HK$65.9 million. In addition, the Group's share of gross rental income from an associate was HK$13.4 million. Therefore the total gross rental income attributable to the Group amounted to HK$79.3 million, representing an increase of 9.4% over that of the previous year. The increase in rental income was due to the full year rental contribution from the acquisition of the two shops on 3 Lock Road and 8-12E Carnarvon Road, Carnarvon Mansion, Tsimshatsui in the first quarter of last year and the continuing increase in the rental rate of the Group's shops and office properties upon lease renewal during the year.

The Group disposed a residential suite in Hong Kong Parkview for a cash consideration of HK$24.8 million during the year.

The Group's investment in offshore debt securities amounted to HK$5.1 million based on market value at 31 March 2009. The investment generated an interest income of HK$0.7 million for the year.

CHAIRMAN'S STATEMENT

Overseas

The Group sold a residential suite in Pointe Claire in the City of Vancouver, Canada during the year. Two suites have been held for rental income purpose. The residential suite in Shanghai was also sold during the year.

PROSPECTS

The global financial crisis has triggered a contraction in the global economy. Various government authorities have been acting in concert to ease the monetary supply amid the credit tightening. The stimulating effect has sipped through the economy. However global economic recovery will be slow with significant challenges lying ahead in the second half of this year. Meanwhile the Mainland economy will lead the global recovery with enormous amount of fiscal stimulus packages which will be beneficial to the local economy.

In the local residential property market, trading activities has stabilised after substantial correction in selling price. The market is expected to improve in the second half of the year. The capital value of commercial properties will also stabilise after correction early this year. Prime commercial properties will have a better performance in the rental market.

The Group's rental income from the investment properties is expected to remain stable next year. The financial position will be maintained well with the Group's prudent investment policy and lower gearing in future.

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, 12 June 2009

FINANCIAL OPERATION REVIEW

OPERATION

The Group continued to hold prime commercial properties for rental income during the year.

The Group's gross rental income for the year ended 31 March 2009 amounted to HK$65.9 million (2008: HK$60.0 million), an increase of 9.8% from last year. The increase was due to the full year rental income contribution from the two shop properties situated on 3 Lock Road and Carnarvon Mansion, 8-12E Carnarvon Road, Tsimshatsui which were acquired in the first quarter of 2008. Southgate Commercial Centre, The Wave and other shop properties also recorded increase in rental income. At 31 March 2009, the Group held investment properties amounting to HK$1,430.5 million (2008: HK$1,729.1 million), a decrease of HK$298.6 million from last year. The decrease was due to the disposal of non-core investment properties and the decrease in capital value of the Group's property portfolio during the year. The Group's share of gross rental income from an associate amounted to HK$13.4 million (2008: HK$12.4 million), an increase of 7.7% from last year. The Group's rental portfolio continued to achieve a high average occupancy rate of 98% during the year.

The Group's interest income generated from debt securities investments and bank deposits for the year ended 31 March 2009 amounted to HK$0.8 million (2008: HK$4.1 million), a decrease of HK$3.3 million from last year. At 31 March 2009, the Group held debt securities investments totalling HK$8.1 million (2008: HK$8.6 million), a decrease of HK$0.5 million from last year.

RESULTS

The Group's loss for the year ended 31 March 2009 amounted to HK266.9 million (2008: profit of HK$348.1 million). The loss was due primarily to the decrease in the fair value of investment properties of the Group and its associate upon revaluation at the balance sheet date partially offset by higher rental income and lower interest expense. The Group's share of loss of associates after taxation amounted to HK$28.9 million (2008: profit of HK$25.5 million). The loss was due to the impairment loss of securities investment and the decrease in the fair value of investment properties of an associate upon revaluation at the balance sheet date.

Loss per share for the year ended 31 March 2009 were HK$0.87 (2008: earnings per share of HK$1.13). The proposed final dividend of HK1.5 cents (2008: HK2.7 cents) per share will make a total distribution of interim and final dividends of HK2.0 cents (2008: HK4.3 cents) per share for the full year, a decrease of 46.5% from last year.

BANK BORROWINGS AND FINANCE COSTS

At 31 March 2009, the Group's banking facilities amounting to HK$591.2 million (2008: HK$569.2 million) were fully secured by its investment properties and land and building with an aggregate carrying value amounting to HK$1,331.8 million (2008: HK$1,591.6 million). At 31 March 2009, these facilities were utilised to the extent of HK$419.1 million (2008: HK$411.5 million).

FINANCIAL OPERATION REVIEW

At 31 March 2009, the total amount of outstanding bank borrowings net of time deposits, bank balances and cash of HK$68.6 million were HK$350.5 million (2008: HK$379.5 million), a decrease of HK$29.0 million from last year. The decrease was due to the use of proceeds from the disposal of investment properties to repay bank borrowings during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was at 25.0% (2008: 22.6%).

Of the total bank loans at 31 March 2009, HK$110.2 million or 26.3% were repayable within one year, HK$38.0 million or 9.1% were repayable after one year but within two years. HK$251.5 million or 61.4% were repayable after two years but within five years. HK$13.4 million or 3.2% were repayable after five years.

At 31 March 2009, the Group's net current liabilities amounted to HK$65.5 million (2008: HK$14.3 million). Subsequent to balance sheet date, the Group has been offered new bank facilities amounting to HK$125 million for a period of five years. The new facilities will be used to re-finance current facilities that will expire in the next two years. It is expected that the Group will return to the net current asset position next year after the re-financing.

The Group's finance costs for the year ended 31 March 2009 were HK$13.1 million (2008: HK$20.1 million), a decrease of 34.8% from last year. The decrease was due to bank borrowings at lower average market interest rate for the year.

SHAREHOLDERS' FUNDS

At 31 March 2009, the Group's shareholders' funds amounted to HK$1,403.0 million (2008: HK$1,679.9 million), a decrease of 16.5% from last year. The net asset value per share was HK$4.56 (2008: HK$5.46). The decrease in shareholders' funds was due primarily to the decrease in the fair value of the investment properties of the Group and its associate upon revaluation at the balance sheet date.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk prevailing inside the organisation and the external environment with active management participation and effective internal control procedures for the best interest of the Group and its shareholders.

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2009, the total number of staff of the Group was 13 (2008: 12). The total staff costs including Directors' remuneration amounted to HK$9.2 million (2008: HK$9.2 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 2009, 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.

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 2009.

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. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald. Mr. Leung was appointed as Independent Non-Executive Director on 1 April 2008 to replace Mr. Wong Wellington who resigned on the same day.

The Board held four meetings during the year ended 31 March 2009. 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 accountant, engineer and manager respectively, the balance of power and authority between the Board and the management will not be compromised.

NON-EXECUTIVE DIRECTORS

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

Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. All of the Independent Non-Executive Directors have been appointed for a period of three years from 1 April 2008. 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.

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 2009. 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 nominated and appointed Mr. Leung Kui King, Donald as Independent Non-Executive Director of the Company on 1 April 2008 to replace Mr. Wong Wellington who resigned on the same day.

CORPORATE GOVERNANCE

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditors, HLM & Co. for its audit services for the year ended 31 March 2009 amounted to HK$290,000. 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. Tse Lai Han, Henry and Mr. Leung Kui King, Donald. Mr. Leung was appointed on 1 April 2008 to replace Mr. Wong Wellington who resigned on the same day.

The Audit Committee held two meetings during the year ended 31 March 2009. The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2008 and for the six months ended 30 September 2008 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 2009 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 2009 is set out below:

	Number of meetings attended/held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Chan Hoi Sow *(Chairman and Managing Director)*	4/4	–	–
Chan Yan Tin, Andrew	4/4	–	–
Chan Siu Keung, Leonard	4/4	2/2	1/1
Independent Non-Executive Directors			
Chan Kwok Wai	4/4	2/2	1/1
Tse Lai Han, Henry	4/4	2/2	1/1
Leung Kui King, Donald	4/4	2/2	–

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 2009 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 pages 17 and 18.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control. The Board is committed to implement and maintain an effective and sound system of internal control 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 Group's system of internal control and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions. 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 control has effectively exercised its functions and that the Company's accounting staff are adequate to manage the accounting and financial reporting functions properly during the year. The Board 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 the Directors attended the Annual General Meeting held on 8 August 2008 to communicate with the Company's shareholders and answer questions raised by them.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2009.

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 19 and 20 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 19.

An interim dividend of HK0.5 cents per share amounting to HK$1,539,063 was paid on 9 January 2009. The Directors now recommend the payment of a final dividend of HK1.5 cents per share to be paid to the shareholders on the Register of Members on 31 July 2009 amounting to HK$4,616,438.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the balance sheet date. The net deficit arising on revaluation, which has been charged directly to the income statement, amounted to HK$254,777,515.

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 16 and 17 to the financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2009 are set out on pages 61 and 62.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 29 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. Chan Kwok Wai
Mr. Tse Lai Han, Henry
Mr. Leung Kui King, Donald (appointed on 1 April 2008)
Mr. Wong Wellington (resigned on 1 April 2008)

REPORT OF THE DIRECTORS

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

Pursuant to Article 103 of the Articles of Association, Mr. Chan Hoi Sow and Mr. Chan Yan Tin, Andrew 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 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long position 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	172,916,896	56.19
	Interest of Controlled Corporation *(note)*	Corporate Interest	170,880,896		
Mr. Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Mr. Chan Siu Keung, Leonard	–	–	–	–	–
Mr. Chan Kwok Wai	–	–	–	–	–
Mr. Tse Lai Han, Henry	–	–	–	–	–
Mr. Leung Kui King, Donald	–	–	–	–	–

Note: Mr. Chan Hoi Sow had a 100% interest in Beyers Investments Limited which, through its wholly owned subsidiary, Noranger Company Limited, held 145,058,000 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 170,880,896 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 2009 or had been granted or exercised any such right during the year.

REPORT OF THE DIRECTORS

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 2009, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	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	172,916,896	172,916,896	56.19
Noranger Company Limited	Beneficial Owner *(Note 2)*	Corporate Interest	145,058,000	145,058,000	47.13
Beyers Investments Limited	Interest of Controlled Corporation *(Note 2)*	Corporate Interest	145,058,000	145,058,000	47.13
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		

REPORT OF THE DIRECTORS

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 145,058,000 shares relate to the 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 2009, 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, the Company purchased a total of 50,000 ordinary shares of HK$0.5 each on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$157,800. All of the purchased shares were cancelled.

Month of purchase	Total number of the ordinary shares purchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	*HK$*	*HK$*
October 2008	20,000	3.30	3.30	66,000
November 2008	30,000	3.06	3.06	91,800
	50,000			157,800

REPORT OF THE DIRECTORS

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in net asset value per share then issue.

Saved as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

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, 12 June 2009

INDEPENDENT AUDITORS' REPORT

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

Room 305, Arion Commercial Centre
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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 19 to 59, which comprise the consolidated balance sheet as at 31 March 2009, 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 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, 12 June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$	2008 HK$
Turnover	5	**65,907,707**	60,033,487
Property expenses		**(2,456,830)**	(2,958,880)
Gross profit		**63,450,877**	57,074,607
Loss on disposal of investments held for trading	6	**–**	(50,035)
Unrealised loss on investments held for trading		**(466,889)**	(1,869,539)
Interest income	8	**783,919**	4,110,114
Other operating (expense) income		**(1,189,560)**	994,257
(Decrease) increase in fair value of investment properties	16	**(254,777,515)**	304,524,055
(Loss) gain on disposal of investment properties		**(11,699,957)**	1,986,129
Administrative expenses		**(18,350,297)**	(18,607,675)
(Loss) profit from operations	9	**(222,249,422)**	348,161,913
Finance costs	10	**(13,116,676)**	(20,119,058)
Share of results of associates	20	**(28,857,265)**	25,486,682
(Loss) profit before taxation		**(264,223,363)**	353,529,537
Taxation	13	**(2,641,440)**	(5,449,796)
(Loss) profit for the year		**(266,864,803)**	348,079,741
Dividends	14	**6,155,501**	13,235,938
(Loss) earnings per share	15	**(HK$0.87)**	HK$1.13

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Investment properties	16	**1,430,529,525**	1,729,139,545
Property, plant and equipment	17	**8,044,211**	9,722,539
Leasehold land	18	**72,895,196**	73,930,870
Interests in associates	20	**269,109,912**	303,407,452
Available-for-sale investments	21	**2,160,500**	2,160,500
Loans and receivables	22	**8,110,381**	–
		1,790,849,725	2,118,360,906
Current assets			
Trade and other receivables	23	**2,275,703**	4,669,339
Investments held for trading	24	**–**	8,577,270
Leasehold land – current portion	18	**1,035,674**	1,035,674
Tax recoverable		**107,286**	393,321
Time deposits, bank balances and cash	25	**68,593,939**	31,998,349
		72,012,602	46,673,953
Current liabilities			
Trade and other payables	26	**9,302,872**	11,467,039
Rental deposits from tenants		**16,904,885**	17,321,098
Tax liabilities		**2,096,598**	1,732,444
Amount due to an associate	20	**–**	29,990,274
Secured bank loans – due within one year	27	**110,241,994**	470,098
		138,546,349	60,980,953
Net current liabilities		**(66,533,747)**	(14,307,000)
Non-current liabilities			
Deferred tax liabilities	31	**12,481,123**	13,138,139
Secured bank loans – due after one year	27	**308,835,490**	411,043,325
		321,316,613	424,181,464
Net assets		**1,402,999,365**	1,679,872,442
Capital and reserves			
Share capital	29	**153,881,261**	153,906,261
Reserves		**1,249,118,104**	1,525,966,181
		1,402,999,365	1,679,872,442

The financial statements on pages 19 to 59 were approved and authorised for issue by the Board of Directors on 12 June 2009 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	17	**–**	–
Interests in subsidiaries	19	**515,826,091**	526,945,346
Interests in associates	20	**559,758**	32
		516,385,849	526,945,378
Current assets			
Trade and other receivables		**109,130**	224,130
Bank balances and cash		**283,468**	227,800
		392,598	451,930
Current liabilities			
Trade and other payables		**187,838**	179,864
Amount due to an associate	20	**–**	29,990,274
		187,838	30,170,138
Net current assets (liabilities)		**204,760**	(29,718,208)
Non-current liability			
Amounts due to subsidiaries	28	**109,615,401**	110,787,944
Net assets		**406,975,208**	386,439,226
Capital and reserves			
Share capital	29	**153,881,261**	153,906,261
Reserves	30	**253,093,947**	232,532,965
		406,975,208	386,439,226

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital *HK$*	Share premium *HK$*	Capital redemption reserve *HK$*	Dividend reserve *HK$*	Accumulated profits *HK$*	Total *HK$*
THE GROUP						
At 1 April 2007	153,906,261	72,818,414	2,662,000	7,695,314	1,107,331,026	1,344,413,015
Profit for the year	–	–	–	–	348,079,741	348,079,741
Dividends declared	–	–	–	13,235,938	(13,235,938)	–
Dividends paid	–	–	–	(12,620,314)	–	(12,620,314)
At 31 March 2008	153,906,261	72,818,414	2,662,000	8,310,938	1,442,174,829	1,679,872,442
At 1 April 2008	153,906,261	72,818,414	2,662,000	8,310,938	1,442,174,829	1,679,872,442
Cancellation upon repurchase of own shares	(25,000)	–	25,000	–	(158,273)	(158,273)
Loss for the year	–	–	–	–	(266,864,803)	(266,864,803)
Dividends declared	–	–	–	6,155,501	(6,155,501)	–
Dividends paid	–	–	–	(9,850,001)	–	(9,850,001)
At 31 March 2009	**153,881,261**	**72,818,414**	**2,687,000**	**4,616,438**	**1,168,996,252**	**1,402,999,365**

The accumulated profits of the Group include approximately HK$268,550,154 (2008: HK$303,407,419) retained by associates of the Group.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$	2008 HK$
Operating activities			
(Loss) profit for the year		**(266,864,803)**	348,079,741
Adjustment for:			
Share of results of associates	*20*	**28,857,265**	(25,486,682)
Interest income		**(783,919)**	(4,110,114)
Interest expenses	*10*	**13,116,676**	20,119,058
Tax expenses	*13*	**2,641,440**	5,449,796
Decrease (increase) in fair value of investment properties	*16*	**254,777,515**	(304,524,055)
Loss on disposal of property, plant and equipment		**470,610**	35,249
Depreciation		**1,360,678**	1,280,204
Amortisation of leasehold land	*18*	**1,035,674**	721,275
Loss (gain) on disposal of investment properties		**11,699,957**	(1,986,129)
Loss on disposal of investments held for trading		**–**	50,035
Unrealised loss on investments held for trading		**466,889**	1,869,539
Exchange adjustment on investment properties	*16*	**1,617,280**	(1,287,440)
Operating cash flows before movements in working capital		**48,395,262**	40,210,477
Decrease (increase) in trade and other receivables		**2,393,636**	(72,582)
(Decrease) increase in trade and other payables		**(2,164,167)**	3,084,095
(Decrease) increase in rental deposits from tenants		**(416,213)**	3,004,113
Cash generated from operations		**48,208,518**	46,226,103
Hong Kong Profits Tax paid		**(2,733,953)**	(5,364,041)
Hong Kong Profits Tax refunded		**85,686**	–
Net cash generated from operating activities		**45,560,251**	40,862,062
Investing activities			
Interest received		**783,919**	4,110,114
Repayment from an associate		**–**	36,900,001
Repayment to an associate		**(24,549,999)**	–
Proceeds from disposal of investments held for trading		**–**	63,848,951
Acquisition of investment properties		**–**	(60,184,582)
Proceeds from disposal of investment properties		**30,515,268**	17,506,101
Purchase of investments held for trading		**–**	(43,698,152)
Purchase of leasehold land		**–**	(59,657,100)
Purchase of property, plant and equipment		**(152,960)**	(6,588,888)
Proceeds from disposal of property, plant and equipment		**–**	80,000
Decrease in time deposit		**–**	66,414,750
Net cash generated from investing activities		**6,596,228**	18,731,195

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$	2008 HK$
Financing activities			
Repayment of bank loans		**(956,435,939)**	(1,323,971,343)
Dividends paid		**(9,850,001)**	(12,620,314)
Interest paid	*10*	**(13,116,676)**	(20,119,058)
Repayment of other loan		**–**	(845,500)
New bank loans raised		**964,000,000**	1,328,000,000
Payment of repurchase of shares		**(158,273)**	–
Net cash used in financing activities		**(15,560,889)**	(29,556,215)
Increase in cash and cash equivalents		**36,595,590**	30,037,042
Cash and cash equivalents at beginning of the year		**31,998,349**	1,961,307
Cash and cash equivalents at end of the year	*25*	**68,593,939**	31,998,349
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**5,672,663**	4,474,304
Bank deposits matured within three months		**62,921,276**	27,524,045
		68,593,939	31,998,349

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

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 address of the registered office of the Company is disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 19 and 20 respectively.

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

In the current year, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the financial year beginning on 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HKAS 39 and HKFRS 7 (Amendments) introduce the possibility of reclassification of non-derivative financial assets, in rare circumstances, from the Held-for-Trading category and from the Available-for-Sale category to Loans and Receivables and Held-to-Maturity. A reclassification is permitted as a one-time event, i.e. a reversal is not permitted.

The Group has made use of the HKAS 39 and HKFRS 7 (Amendments) and reclassified certain financial assets as of 1 July 2008. The Group reclassified debt securities out of category "Investments held for trading" into "Loans and receivables". The Group identified assets, eligible under the amendments, for which at 1 July 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The following table summarises the carrying amount reclassified, the carrying amount and fair value as of 31 March 2009 as well as fair value gains and losses that would have been recognised in the consolidated income statement or investments held for trading if the financial assets had not been reclassified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

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

Reclassification	Into: Loans and receivables 1 July 2008 Carrying amount *HK$'000*	31 March 2009 Carrying amount *HK$'000*	Fair value *HK$'000*	Effect if no assets would have been reclassified (1 July 2008 until 31 March 2009) Consolidated Income statement *HK$'000*
out of:				
Investments held for trading	8,110	8,110	5,070	(3,040)

In addition, the Group's principal associate, Easyman Limited, has also made use of the HKAS 39 and HKFRS 7 (Amendments). Details of the financial assets reclassified and the effect on the Group's financial statements are set out below:

out of:				
Investments held for trading	73,546	59,214	41,516	(17,698)
Share of effect by the Group				(8,849)
Effect on the Group:				
Aggregate decrease in net assets of the Group				(11,889)
Increase in loss per share of the Group				HK 3.9 cents

The adoption of HK(IFRIC)-Int 12, HK(IFRIC)-14, HKAS 39 and HKFRS 7 (Amendments) has no material effect on the results of operations and financial position of the Group for the prior accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

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.

HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 39 (Amendments)	Eligible Hedged Items[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for accounting periods beginning on or after 1 January 2009
2 Effective for accounting periods beginning on or after 1 July 2009
3 Effective for accounting periods beginning on or after 1 July 2008
4 Effective for accounting periods beginning on or after 1 October 2008

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20,HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40, HKAS 41 and HK(IFRIC)-Int 2.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

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.

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.

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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Interests in subsidiaries

Interests 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39") permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities as available-for-sale financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities at fair value through profit or loss (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is 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. 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 contact 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 is up-front payments to acquire long-term interests in lessee-occupied properties. Leasehold land is 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 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

When 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

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 are 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

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 2009

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 recognised 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 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.

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.

Dividend income from investments held for trading 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.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated cash flow statement, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(A) Depreciation

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

(B) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(C) Fair value of investment properties

Investment properties are carried in the balance sheet at 31 March 2009 at their fair value of HK$1,430,529,525 (2008: HK$1,729,139,545). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

5. TURNOVER

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

	2009 ***HK$***	2008 *HK$*
Property rental income	**65,907,707**	60,033,487

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

6. LOSS ON DISPOSAL OF INVESTMENTS HELD FOR TRADING

	2009	2008
	HK$	*HK$*
Sale of investments held for trading	–	43,648,117
Cost of disposal of investments held for trading	–	(43,698,152)
Loss on disposal of investments held for trading	–	(50,035)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as all the Group's turnover, assets and liabilities were derived from property leasing.

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.

8. INTEREST INCOME

	2009	2008
	HK$	*HK$*
Interest income from bank deposits and balances	**71,611**	1,653,387
Interest income from investments held for trading	**177,938**	2,456,727
Interest income from loans and receivables	**534,370**	–
	783,919	4,110,114

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

9. (LOSS) PROFIT FROM OPERATIONS

	2009 HK$	2008 HK$
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration	**290,000**	280,000
Depreciation	**1,360,678**	1,280,204
Amortisation of leasehold land	**1,035,674**	721,275
Exchange loss	**836,386**	–
Loss on disposal of investments held for trading	**–**	50,035
Staff costs (including Directors' remuneration)	**9,106,436**	9,094,677
Mandatory provident fund contributions	**97,334**	96,360
Total staff costs	**9,203,770**	9,191,037
and after crediting:		
Exchange gain	**–**	881,270
Gross rental income from investment properties	**65,907,707**	60,033,487
Less:		
Direct operating expenses from investment properties that generated rental income	**(2,108,357)**	(2,721,497)
Direct operating expenses from investment properties that did not generate rental income	**(348,473)**	(237,383)
Net rental income	**63,450,877**	57,074,607

10. FINANCE COSTS

	2009 HK$	2008 HK$
Interest on bank borrowings:		
wholly repayable within five years	**12,741,322**	19,897,050
not wholly repayable within five years	**375,354**	222,008
	13,116,676	20,119,058

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2008: six) directors were as follows:

2009

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Chan Hoi Sow *(Note 1)*	**–**	**7,890,696**	**–**	**7,890,696**
Chan Yan Tin, Andrew	**–**	**503,873**	**12,000**	**515,873**
Chan Siu Keung, Leonard	**–**	**1,029,750**	**12,000**	**1,041,750**
Chan Kwok Wai	**60,000**	**–**	**–**	**60,000**
Tse Lai Han, Henry	**60,000**	**–**	**–**	**60,000**
Leung Kui King, Donald	**60,000**	**–**	**–**	**60,000**
	180,000	**9,424,319**	**24,000**	**9,628,319**

2008

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
Chan Hoi Sow *(Note 1)*	–	7,138,232	–	7,138,232
Chan Yan Tin, Andrew	–	483,800	12,000	495,800
Chan Siu Keung, Leonard	–	1,002,500	12,000	1,014,500
Wong Wellington	–	–	–	–
Chan Kwok Wai	60,000	–	–	60,000
Tse Lai Han, Henry	60,000	–	–	60,000
	120,000	8,624,532	24,000	8,768,532

Note:

1. The amount includes rateable value of HK$2,764,920 (2008: HK$1,219,140), being rent-free accommodation provided to Chan Hoi Sow by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2008: three) were Directors of the Company whose emoluments were included in note 11. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009	2008
	HK$	*HK$*
Salaries and other benefits	**1,006,500**	979,600
Mandatory provident fund contributions	**24,000**	24,000
	1,030,500	1,003,600

The aggregate emoluments of each of the remaining two (2008: two) highest paid individuals during the years ended 31 March 2009 and 31 March 2008 were within the HK$1,000,000 band.

During the years ended 31 March 2009 and 31 March 2008, 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.

13. TAXATION

	2009	2008
	HK$	*HK$*
Tax expenses attributable to the Company and subsidiaries		
Hong Kong Profits Tax		
Current year	**3,446,847**	2,329,543
Over provision in previous years	**(148,391)**	(77,859)
	3,298,456	2,251,684
Other jurisdiction	**–**	1,292,850
	3,298,456	3,544,534
Deferred tax (credit) expenses *(note 31)*		
Current year	**1,510,257**	1,905,262
Over provision in previous years	**(1,502,371)**	–
Attributable to change in tax rate	**(664,902)**	–
	(657,016)	1,905,262
	2,641,440	5,449,796

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

13. TAXATION (Continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/09. Accordingly, Hong Kong Profits Tax is calculated at 16.5% (2008: 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 31.

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

	2009	2008
	HK$	*HK$*
(Loss) profit before taxation	**(264,223,363)**	353,529,537
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**(43,596,855)**	61,867,669
Tax effect of share of profit of associates	**5,751,449**	(3,585,169)
Tax effect of expenses not deductible for tax purpose	**44,422,780**	437,094
Tax effect of income not taxable for tax purpose	**(1,215,273)**	(55,393,701)
Tax effect on temporary differences not recognised	**23,235**	161,804
Tax effect of tax losses not recognised	**81,444**	959,758
Over provision in respect of prior year	**(1,650,762)**	(77,859)
Tax effect of tax reduction	**(664,902)**	–
Utilisation of tax losses previously recognised	**(547,224)**	(212,650)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**37,548**	1,292,850
Tax expenses for the year	**2,641,440**	5,449,796

14. DIVIDENDS

	2009	2008
	HK$	*HK$*
Interim, paid – HK0.5 cents per share (2008: HK1.6 cents per share)	**1,539,063**	4,925,000
Final, proposed – HK1.5 cents per share (2008: HK2.7 cents per share)	**4,616,438**	8,310,938
	6,155,501	13,235,938

The final dividend of HK1.5 cents per share (2008: HK2.7 cents per share) has been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

15. (LOSS) EARNINGS PER SHARES

The calculation of loss per share is based on the loss for the year of HK$266,864,803 (2008: profit of HK$348,079,741) and on weighted average number of 307,793,755 (2008: 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.

16. INVESTMENT PROPERTIES

	THE GROUP	
	2009	2008
	HK$	*HK$*
VALUATION		
At 1 April	**1,729,139,545**	1,378,663,440
Exchange adjustments	**(1,617,280)**	1,287,440
Additions	**–**	59,073,970
Disposals	**(42,215,225)**	(14,409,360)
(Decrease) increase in fair value recognised in the income statement	**(254,777,515)**	304,524,055
At 31 March	**1,430,529,525**	1,729,139,545

The investment properties of the Group were revalued at 31 March 2009 on an open market value existing use basis by Jones Lang LaSalle Limited and Johnston, Ross & Cheng Ltd., independent valuers. The deficit arising on revaluation has been charged to consolidated income statement.

The carrying amount of investment properties shown above comprises:

	2009	2008
	HK$	*HK$*
Properties in Hong Kong		
Medium-term lease	**663,500,000**	770,000,000
Long-term lease	**760,400,000**	944,800,000
Properties outside Hong Kong		
Freehold	**6,629,525**	12,139,545
Long-term lease	**–**	2,200,000
	1,430,529,525	1,729,139,545

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong HK$	Furniture and office equipment HK$	Leasehold improvement HK$	Motor vehicles HK$	Total HK$
THE GROUP					
COST					
At 1 April 2007	3,204,638	3,654,304	5,012,287	6,889,017	18,760,246
Additions	5,000,000	590,840	998,048	–	6,588,888
Disposals	–	(2,428,132)	(2,901,005)	(639,200)	(5,968,337)
At 31 March 2008	8,204,638	1,817,012	3,109,330	6,249,817	19,380,797
Additions	–	152,960	–	–	152,960
Disposals	–	(141,775)	(610,844)	–	(752,619)
At 31 March 2009	**8,204,638**	**1,828,197**	**2,498,486**	**6,249,817**	**18,781,138**
ACCUMULATED DEPRECIATION					
At 1 April 2007	1,960,742	3,260,942	4,031,458	4,978,000	14,231,142
Provided for the year	261,518	156,375	221,737	640,574	1,280,204
Disposals	–	(2,422,717)	(2,871,071)	(559,300)	(5,853,088)
At 31 March 2008	2,222,260	994,600	1,382,124	5,059,274	9,658,258
Provided for the year	328,185	261,256	226,710	544,527	1,360,678
Disposals	–	(86,687)	(195,322)	–	(282,009)
At 31 March 2009	**2,550,445**	**1,169,169**	**1,413,512**	**5,603,801**	**10,736,927**
NET BOOK VALUE					
At 31 March 2009	**5,654,193**	**659,028**	**1,084,974**	**646,016**	**8,044,211**
At 31 March 2008	5,982,378	822,412	1,727,206	1,190,543	9,722,539

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and office equipment *HK$*
THE COMPANY	
COST	
At 1 April 2007	258,636
Disposals	(258,636)
At 31 March 2008 and 31 March 2009	–
ACCUMULATED DEPRECIATION	
At 1 April 2007	258,636
Disposals	(258,636)
At 31 March 2008 and 31 March 2009	–
NET BOOK VALUE	
At 31 March 2009 and 31 March 2008	–

18. LEASEHOLD LAND

	THE GROUP	
	2009 *HK$*	2008 *HK$*
NET BOOK VALUE		
At 1 April	**74,966,544**	16,030,719
Additions	**–**	59,657,100
Amortisation	**(1,035,674)**	(721,275)
At 31 March	**73,930,870**	74,966,544
Current portion	**(1,035,674)**	(1,035,674)
Non-current portion	**72,895,196**	73,930,870

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$	*HK$*
Unlisted shares, at cost less impairment loss	**48,528,428**	48,528,428
Amounts due from subsidiaries less allowance	**467,297,663**	478,416,918
	515,826,091	526,945,346

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.

Details of the Company's wholly owned subsidiaries at 31 March 2009 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	Property investment
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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

20. INTERESTS IN ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Unlisted shares, at cost	**–**	–	**32**	32
Share of net assets	**268,550,186**	303,407,452	**–**	–
Amount due from an associate	**559,726**	–	**559,726**	–
	269,109,912	303,407,452	**559,758**	32

The amount due from/to 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 2009 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

20. INTERESTS IN ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE (Continued)

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:

	2009	2008
	HK$	*HK$*
Turnover	**26,731,477**	24,829,888
Depreciation	**(6,528)**	(22,295)
(Decrease) increase in fair value of investment properties	**(64,400,000)**	42,000,000
Impairment loss on investment held for trading	**(14,331,720)**	–
(Loss) profit for the year	**(57,714,531)**	50,973,363
(Loss) profit attributable to the Group	**(28,857,265)**	25,486,682
Dividend attributable to the Group	**6,000,000**	5,000,000
Financial position at 31 March:		
Non-current assets	**561,900,000**	626,306,528
Current assets	**65,333,501**	112,397,370
Current liabilities	**(9,493,589)**	(19,572,627)
Non-current liabilities	**(80,639,602)**	(112,316,431)
Shareholders' funds	**537,100,310**	606,814,840
Shareholders' funds attributable to the Group	**268,550,155**	303,407,420

21. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2009	2008
	HK$	*HK$*
Club debentures	**2,160,500**	2,160,500

The directors consider that the carrying amount of available-for-sale investments approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

22. LOANS AND RECEIVABLES

	THE GROUP	
	2009	2008
	HK$	*HK$*
Listed overseas debt securities	**8,110,381**	–

The Group has made use of the HKAS 39 and HKFRS 7 (Amendments) and reclassified certain financial assets as of 1 July 2008. The Group reclassified debt securities out of category "Investments held for trading" into "Loans and receivables".

23. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK$491,869 (2008: HK$820,789) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

At the balance sheet date, all the rental receivable had an age of less than 90 days.

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

24. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2009	2008
	HK$	*HK$*
Analysis of investments held for trading		
Listed overseas debt securities	**–**	8,577,270
Market value	**–**	8,577,270

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

25. TIME DEPOSITS, BANK BALANCES AND CASH

	THE GROUP	
	2009	2008
	HK$	*HK$*
Cash and bank balances	**5,672,663**	4,474,304
Time deposits	**62,921,276**	27,524,045
	68,593,939	31,998,349

Time deposits, bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate ranging from 0.01% to 1.75% per annum (2008: 0.5% to 5.2% per annum) with an original maturity of three months or less.

26. TRADE AND OTHER PAYABLES

Included in trade and other payables is prepaid rental from tenants of HK$1,228,314 (2008: HK$967,779).

At the balance sheet date, all the prepaid rental from tenants had an age of less than 90 day.

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

27. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	THE GROUP	
	2009	2008
	HK$	*HK$*
Within one year	**110,241,994**	470,098
More than one year but not exceeding two years	**1,274,028**	118,491,213
More than two years but not exceeding five years	**294,160,381**	292,552,112
More than five years	**13,401,081**	–
	419,077,484	411,513,423
Less: Amount due within one year	**(110,241,994)**	(470,098)
	308,835,490	411,043,325

Over 95% of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 1.0% over HIBOR (2008: from 0.5% to 0.67% over HIBOR) per annum.

The remaining bank loans are denominated in Canadian dollars with variable interest rate which is the prime rate less 0.5% (2008: prime rate less 0.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

28. 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.

29. SHARE CAPITAL

	2009 Number of ordinary share of HK$0.5 each	**2009** Nominal value *HK$*	2008 Number of ordinary share of HK$0.5 each	2008 Nominal value *HK$*
Authorised:				
At 1 April and 31 March	**400,000,000**	**200,000,000**	400,000,000	200,000,000
Issued and fully paid:				
At 1 April	**307,812,522**	**153,906,261**	307,812,522	153,906,261
Cancellation upon repurchase of own shares	**(50,000)**	**(25,000)**	–	–
At 31 March	**307,762,522**	**153,881,261**	307,812,522	153,906,261

On 14 November 2008, 50,000 ordinary shares repurchased on the Stock Exchange were cancelled. The nominal value of HK$25,000 of all the shares cancelled during the year was credited to capital redemption reserve and the relevant aggregate consideration of HK$158,273 was deducted from the Company's accumulated profits.

30. RESERVES

	Share premium *HK$*	**Capital redemption reserve** *HK$*	**Dividend reserve** *HK$*	**Accumulated profits** *HK$*	**Total** *HK$*
THE COMPANY					
At 1 April 2007	72,818,414	2,662,000	7,695,314	146,347,106	229,522,834
Profit for the year	–	–	–	15,630,445	15,630,445
Dividends declared	–	–	13,235,938	(13,235,938)	–
Dividends paid	–	–	(12,620,314)	–	(12,620,314)
At 31 March 2008 and 1 April 2008	72,818,414	2,662,000	8,310,938	148,741,613	232,532,965
Cancellation upon repurchase of own shares	–	25,000	–	(158,273)	(133,273)
Profit for the year	–	–	–	30,544,256	30,544,256
Dividends declared	–	–	6,155,501	(6,155,501)	–
Dividends paid	–	–	(9,850,001)	–	(9,850,001)
At 31 March 2009	**72,818,414**	**2,687,000**	**4,616,438**	**172,972,095**	**253,093,947**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

30. RESERVES (Continued)

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$177,588,533 (2008: HK$157,052,551) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

31. DEFERRED TAX LIABILITIES

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

	HK$
THE GROUP	
At 1 April 2007	11,232,877
Deferred tax expenses for the year	1,905,262
At 31 March 2008 and 1 April 2008	13,138,139
Deferred tax expenses for the year	1,510,257
Over-provision in prior year	(1,502,371)
Tax effect of change in tax rate	(664,902)
Deferred tax credit for the year	(657,016)
At 31 March 2009	**12,481,123**

At the balance sheet date, the Group has unused tax losses of HK$13,645,115 (2008: HK$14,991,537) 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 2009

32. PENSIONS 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 returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF charged to income statement for the year ended 31 March 2009 amounted to HK$97,334 (2008: HK$96,360). As at 31 March 2009, contributions due in respect of the reporting period had been fully paid over to the MPF.

33. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities amounting to HK$591,248,000 (2008: HK$569,248,000) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK$1,331,841,489 (2008: HK$1,591,634,515). These facilities were utilised to the extent of HK$419,077,484 (2008: HK$411,513,423) as at the balance sheet date.

34. 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**	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Subsidiaries	**–**	–	**419,077,484**	411,513,423
Associates	**35,000,000**	55,000,000	**35,000,000**	55,000,000
	35,000,000	55,000,000	**454,077,484**	466,513,423

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 2009

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2009	2008
	HK$	*HK$*
Minimum lease payments paid under operating leases in respect of rented properties during the year	–	681,290

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

	2009	2008
	HK$	*HK$*
Within one year	–	–

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 4.6% (2008: 4%) 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	
	2009	2008
	HK$	*HK$*
Within one year	**55,193,694**	47,328,949
In the second to fifth year inclusive	**15,725,423**	37,025,206
	70,919,117	84,354,155

36. CAPITAL COMMITMENTS

At 31 March 2009, the Group had no capital commitments (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

37. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK$360,000 (2008: HK$360,000) from an associate of the Company, Win Easy Development Limited.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk management

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

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

	Assets 2009 ***HK$'000***	**Liabilities 2009** ***HK$'000***	Assets 2008 *HK$'000*	Liabilities 2008 *HK$'000*
Canadian dollar ("CAD")	**166**	**1,843**	3,285	2,949

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in CAD against the Hong Kong dollars, the effect in the (loss) profit for the year is as follows:

	Impact of CAD 2009 ***HK$'000***	Impact of CAD 2008 *HK$'000*
Increase/decrease in (loss) profit for the year	**84**	17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management

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

		2009		
	On demand	**Within 1 year**	**2-5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade and other payables	**9,303**	**–**	**–**	**9,303**
Rental deposits from tenants	**16,905**	**–**	**–**	**16,905**
Tax liabilities	**2,096**	**–**	**–**	**2,096**
Amount due to an associate	**–**	**–**	**–**	**–**
Secured bank loans	**–**	**110,242**	**308,835**	**419,077**
	28,304	**110,242**	**308,835**	**447,381**

		2008		
	On demand	Within 1 year	2-5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	11,467	–	–	11,467
Rental deposits from tenants	17,321	–	–	17,321
Tax liabilities	1,733	–	–	1,733
Amount due to an associate	29,990	–	–	29,990
Secured bank loans	–	470	411,043	411,513
	60,511	470	411,043	472,024

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

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

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

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for non-derivative instrument at the balance sheet date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would increase/decrease by HK$3,370,000 (2008: HK$3,795,000).

Market price risk management

The Group is exposed to market price risk through its investments in debt securities. The management manages this exposure by maintaining a portfolio of investments with different risks and returns. The Group's market price risk is primarily arising from overseas bonds. In this regard, the management considers the Group's exposure to market price risk is reduced.

At 31 March 2009, all loans and receivables and available-for-sale investments held by the Group were stated at costs, therefore, future market price risk would not materially affect the Group.

Fair values

As at 31 March 2009, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital risk management

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

As at 31 March 2009, the Group's strategy remained unchanged as compared to 31 March 2008. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

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

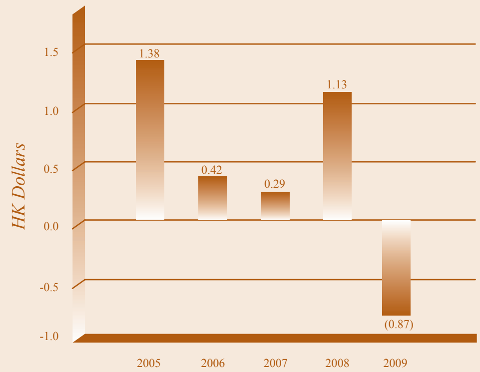
	2009	2008
	HK$'000	*HK$'000*
Bank loans	**419,077**	411,513
Total equity	**1,402,999**	1,679,872
Total debts to total equity ratio	**0.30**	0.24

39. COMPARATIVE FIGURES

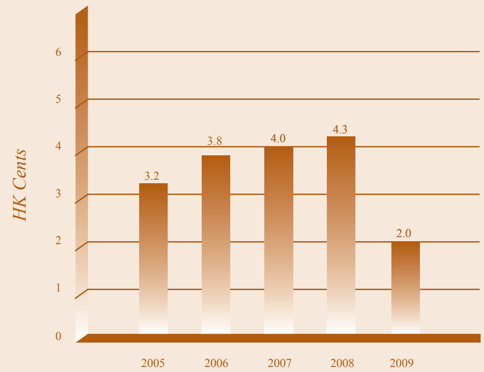
Certain comparative figures have been reclassified to conform with current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

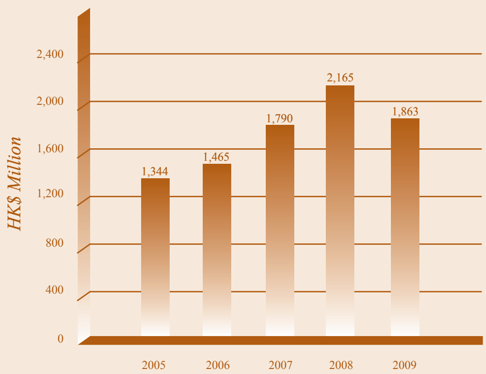
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Turnover	30,755	37,884	48,430	60,033	**65,908**
Profit (loss) for the year	424,162	129,880	89,049	348,080	**(266,865)**
Earnings (loss) per share	HK$1.38	HK$0.42	HK$0.29	HK$1.13	**(HK$0.87)**
Dividends per share	HK3.2 cents	HK3.8 cents	HK4.0 cents	HK4.3 cents	**HK2.0 cents**
Total assets	1,343,774	1,465,199	1,789,835	2,165,035	**1,862,862**
Total liabilities	195,819	198,138	445,422	485,163	**459,863**
Total shareholders' funds	1,147,955	1,267,061	1,344,413	1,679,872	**1,402,999**



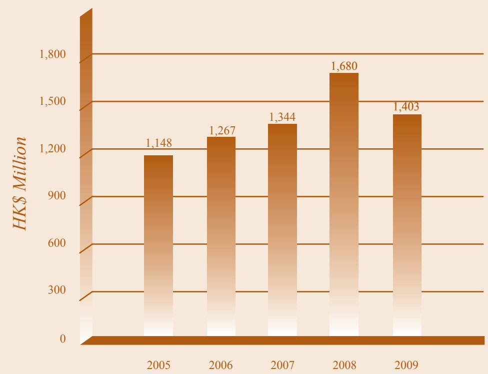
EARNINGS (LOSS) PER SHARE



DIVIDENDS PER SHARE



TOTAL ASSETS



TOTAL SHAREHOLDERS' FUNDS

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of properties held by the Group at 31 March 2009 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 spaces 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%
3.	Flat A on 43rd floor and car parking spaces Nos. 44 and 45 on 5th floor, HighCliff, 41D Stubbs 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 on ground floor, Wing Lock House, 3 Lock Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
7.	Shop H on ground floor, Carnarvon Mansion, 8-12E Carnarvon 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.	Shop No. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
9.	The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
10.	The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
11.	The whole of ground floor and 1st, 2nd, 3rd and 5th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
12.	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%
13.	The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
14.	The whole of 6th, 12th and 20th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
15.	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%
16.	The whole of 4th floor, 31 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%
17.	Carpark No. 31 on the podium of Level 2, 37 Repluse Bay Road, Hong Kong	Carpark	Long-term	100%
18.	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%
19.	The whole of 9th floor, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

	Location	Use	Category of lease	Group's interest
Canada				
1.	Suites No. 2406 and 2904 with one carpark for each suite, Pointe Claire, 1238 Melville Street, Vancouver, British Coumbia	Residential	Freehold	100%