



Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)
(Stock Code: 88)

2009 ANNUAL REPORT

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Financial Highlights

	2009 <i>HK\$Million</i>	2008 <i>HK\$Million</i>	Percentage Change
Profit Attributable to Equity Holders of the Company	210.9	351.2	-40%
Dividends	142.0	142.0	0%
Total Equity	3,719.2	3,656.8	+2%
Earnings Per Share	\$0.34	\$0.57	-40%
Dividends Per Share	\$0.23	\$0.23	0%

Corporate Information

Board of Directors

David Pun CHAN *Chairman*
Ivy Sau Ching CHAN
*Joseph Wing Siu CHEUNG
*Karl Chi Leung KWOK
*Man Sing KWONG
William Wai Lim LAM
Wing Sau LI

* *Independent non-executive directors*

Audit Committee

Karl Chi Leung KWOK *Chairman*
Ivy Sau Ching CHAN
Joseph Wing Siu CHEUNG
Man Sing KWONG

Secretary

Ivy Yee Har TAM

Bankers

Citibank, N.A.
Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Rosebank Centre,
14 Bermudiana Road,
Pembroke,
Bermuda.

Head Office

20th Floor, The Hong Kong
Club Building,
3A Chater Road, Central,
Hong Kong.
Telephone: 2532 2688, 2522 3112
Fax: 2810 4108
2868 5230
2877 2487
Website: <http://www.taicheung.com>

Principal Registrars

Butterfield Fulcrum Group (Bermuda)
Limited
Rosebank Centre,
14 Bermudiana Road,
Pembroke,
Bermuda.

Registrars in Hong Kong

Computershare Hong Kong Investor
Services Limited
Shops 1712-16,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong.

Depository

The Bank of New York Mellon
American Depositary Receipts
101 Barclay Street,
22nd Floor,
New York, NY 10286,
U.S.A.

Directors

David Pun CHAN, SB HonLLD

David Pun CHAN, 58, joined the group in 1973, appointed a director of its holding company in 1975 and Chairman in 1981. He has more than 25 years' experience in construction, property development and investment businesses. Currently, he is a member of the MIT Sloan Asia Executive Board, Vice Chairman of The Chinese General Chamber of Commerce and a director of The Hong Kong Real Estate Developers Association and 2009 East Asian Games (Hong Kong) Limited. He is the brother of Ivy Sau Ching Chan, another director of the company.

Ivy Sau Ching CHAN, BA

Ivy Sau Ching CHAN, 56, has been a director of the group's holding company since 1981. She is currently a Partner with Messrs Woo, Kwan, Lee & Lo. She advises on legal matters of the businesses of the group. She is the sister of David Pun Chan, another director of the company.

Joseph Wing Siu CHEUNG, MS

Joseph Wing Siu CHEUNG, 63, appointed a director of the group's holding company in 2004. He is a director of The Garden Company Limited and its major subsidiaries ("The Garden Group") and has over 25 years' experience in manufacturing, sales and marketing management in The Garden Group.

Karl Chi Leung KWOK, BA MBA

Karl Chi Leung KWOK, 60, has been a director of the group's holding company since 1983. He has more than 25 years' management experience in the banking and finance businesses. He is Chairman of Wing On International Holdings Limited, Wing On Company International Limited,

the Board of The Trustees of Chung Chi College of The Chinese University of Hong Kong and The Hong Kong – America Center, a member of University Council and Executive Committee of the Council of The Chinese University of Hong Kong, a trust member of The Outward Bound Trust of Hong Kong Limited, president of Hong Kong Sailing Federation, vice president of Sports Federation & Olympic Committee of Hong Kong, China and a director of Hong Kong Sports Institute.

Man Sing KWONG, BSc FHKICPA CA (Canada)

Man Sing KWONG, 62, appointed a director of the group's holding company in 2006. He was with PricewaterhouseCoopers, Certified Public Accountants for more than 32 years, of which he was an audit partner since 1980 until he retired from the firm on 30th June 2002.

William Wai Lim LAM, BBus MBA CPA CPA(Aust.) CPA(US) FCCA

William Wai Lim LAM, 45, joined the group in 1996, appointed a director of its holding company in 2004. He has more than 20 years' experience in auditing, accounting, corporate finance and strategic planning. He is also the Financial Controller of the group.

Wing Sau LI, BA DipMS

Wing Sau LI, 56, joined the group in 1994, appointed a director of its holding company in 1997. Prior to joining the group, he worked as project manager of a project and construction management consultant company in Canada. He has more than 25 years' project management experience both in Hong Kong and Canada. He is also the Controller of Project Management and Construction division of the group.

Biography of Directors and Senior Management

Senior Management

Head of Sales and Property Management

Ting Wah YUEN, FCCA, 57, the Property Manager of the group. He joined the group in 1980 initially as accountant and subsequently transferred to the Sales and Property Management division in 1991. Prior to joining the group, he was an internal auditor with a listed company. He has more than 25 years' experience in commercial and public accounting, corporate auditing, property management and property sales.

Head of US Operations

Chi Hung POON, BA MSc MBA, 62, the Vice President of the US Operations. He joined the group in 1988. He has more than 25 years' experience in property development, civil engineering and construction in the United States. He is the cousin of David Pun Chan and Ivy Sau Ching Chan, the directors of the company.

Head of Secretarial

Ivy Yee Har TAM, FCIS, 58, the Senior Secretarial Manager of the group. She joined the group in 1981, prior to which she was a chartered secretary and legal officer of an international company. She has more than 25 years' company secretarial experience.

Head of Information Technology

Wing Ip TANG, MBA, 59, the I T Manager and also the Senior Manager of Corporate Affairs of the group. He joined the group in 1979 initially as accountant and subsequently transferred to the Information Technology division in 1982. Prior to joining the group, he was an internal auditor with a listed company. He has more than 25 years' experience in commercial accounting, corporate auditing and information technology.

Head of Human Resources

Maggie Wai Man LAI, BBA, 38, the Human Resources Manager of the group. She joined the group in 1994 and served at various positions within the Human Resources Department. Prior to joining the group, she worked for a large construction company. She has more than 15 years' human resources management experience.

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st March 2009.

Principal Activities

The principal activity of the company is investment holding. The principal activities of its subsidiaries include property investment and development, investment holding and property management. Details are set out in note 37 to the financial statements.

An analysis of the group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Results and Appropriations

The results of the group for the year are set out in the consolidated profit and loss account on page 19.

The directors declared an interim dividend of HK 9 cents per ordinary share, totalling HK\$55.6 million, which was paid on 20th January 2009.

The directors recommend the payment of a final dividend of HK 14 cents per ordinary share, totalling HK\$86.4 million, to persons registered as shareholders on 1st September 2009.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 29 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the group are set out in note 15 to the financial statements.

Financial Summary

A five year financial summary of the group is set out on page 66.

Borrowings

Details of the borrowings of the group are set out in note 26 to the financial statements.

Major Properties

Particulars of major properties of the group are set out on page 65.

Directors

The directors in office during the year and up to the date of this report are Messrs David Pun Chan, Joseph Wing Siu Cheung*, Karl Chi Leung Kwok*, Man Sing Kwong*, William Wai Lim Lam, Wing Sau Li and Ms Ivy Sau Ching Chan.

Report of the Directors

In accordance with Bye-law 84 of the company's Bye-laws, Mr Karl Chi Leung Kwok and Mr Man Sing Kwong retire from the board by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The company has received from each of its independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company is of the view that all independent non-executive directors are independent in accordance with the terms of the guidelines set out in Rule 3.13 of the Listing Rules.

None of the directors has a service contract with the company which is not determinable within one year without payment of compensation.

* Independent non-executive directors

Biography of Directors and Senior Management

The biographical details of the directors and senior management are set out on pages 3 and 4.

Directors' Interests

At 31st March 2009, the interests of the directors and chief executive in the shares of the company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
David Pun Chan	117,988,971	-	*61,335,074	-	179,324,045
Ivy Sau Ching Chan	20,132,706	-	-	-	20,132,706
Karl Chi Leung Kwok	221,212	-	-	-	221,212
Wing Sau Li	73,000	-	-	-	73,000

* Such shares were held through a corporation wholly owned by Mr David Pun Chan.

All the interests disclosed above represent long position in the shares of the company.

Save as disclosed above, no directors, chief executive or their associates had any interest or short position in the shares of the company or any of its associated corporations (within the meaning of Part XV of the 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Report of the Directors

During the year, the company did not grant to the directors or chief executive any right to subscribe for shares of the company.

No contracts of significance in relation to the group's business to which the company or 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.

At no time during the year was the company or 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.

Substantial Shareholders

At 31st March 2009, the register of substantial shareholders maintained under section 336 of the SFO showed that the company has been notified of the following interest, being 5% or more in the company's issued share capital. This interest is in addition to those disclosed above in respect of the directors and chief executive:

Name	Number of shares
*Chan Poon Wai Kuen	96,185,380

* Madam Chan Poon Wai Kuen is the mother of Mr David Pun Chan.

All the interests disclosed above represent long position in the shares of the company.

Save as disclosed above, the company has not been notified by any other person (other than a director of the company disclosed above) who has an interest or short position in the shares of the company which are required to be recorded in the register kept by the company pursuant to section 336 of the SFO as at 31st March 2009.

Purchase, Sale or Redemption of Shares

The company did not redeem any of its shares during the year. Neither the company nor any of its subsidiaries purchased or sold 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 the directors, the company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the company.

Report of the Directors

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Assets Value

The group's interest in Sheraton-Hong Kong Hotel is stated at cost less accumulated depreciation and amortisation on the hotel land and buildings in accordance with the current accounting standards.

In order to fully reflect the underlying economic values of the group's hotel properties, the group considers it appropriate also to present to shareholders, as set out below, supplementary information on the group's statement of net assets on the basis that the group were to state its hotel properties at their open market valuations as at 31st March 2009.

	2009 (Unaudited) HK\$Million	2008 (Unaudited) <i>HK\$Million</i>
Non-current assets, including interest in associates	339.4	359.2
Add: Attributable revaluation surplus relating to hotel properties*	1,964.7	2,178.5
	2,304.1	2,537.7
Current assets	3,594.2	3,776.2
Current liabilities	(210.0)	(345.7)
Net current assets	3,384.2	3,430.5
Total assets less current liabilities	5,688.3	5,968.2
Non-current liabilities	(4.4)	(132.9)
Net assets as if the hotel properties were stated at open market value	5,683.9	5,835.3
Net assets per ordinary share as if the hotel properties were stated at open market value	HK\$9.20	HK\$9.45

* Based on open market valuations as at 31st March 2009 and 2008 respectively.

Major Suppliers and Customers

For the year ended 31st March 2009, the five largest suppliers and the largest supplier of the group accounted for approximately 65% and 26% respectively of the group's total purchases and the five largest customers and the largest customer of the group accounted for approximately 48% and 26% respectively of the group's revenue.

At 31st March 2009, none of the directors, their associates or any shareholder (which to the knowledge of the directors owned more than 5% of the company's share capital) had a beneficial interest in any of the group's five largest suppliers or five largest customers.

Operational Review

Liquidity and Financial Resources

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associates.

At 31st March 2009, the group's cash net of borrowings, was HK\$262.7 million as compared with HK\$72.6 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$553.7 million. All the group's borrowings were denominated in United States dollars. The US dollar loans are directly tied in with the business of the group's United States operations, and therefore these loans are substantially hedged by assets in the same currency.

As at year end, all the group's borrowings were payable within one year.

The gearing ratio, which is calculated as the ratio of the bank borrowings to equity, is maintained at a low level of 2.8% at 31st March 2009. The gearing ratio was 9.8% last year.

Committed borrowing facilities available to the group, but not drawn at 31st March 2009, amounted to HK\$384.7 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group are adequate to meet the anticipated working capital requirement in the coming year.

Treasury Policies

The group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the group are denominated either in Hong Kong or United States dollars. Accordingly, the group has minimal exposure to foreign exchange fluctuation. However, the group will closely monitor the overall currency and interest rate exposures and, when considered appropriate, the group will take the necessary actions to ensure that such exposures are properly hedged.

Report of the Directors

Emolument Policy

The emolument policy of the general staff of the group is set up by the management of the group on the basis of their merits, qualifications and competence.

The emoluments of the directors and senior management of the company are decided by the Remuneration Committee, having regard to individual duties and market practices.

Human Resources

The group, excluding associates, employs a total of 245 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$53.0 million for the year ended 31st March 2009. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

Contingent Liabilities

The company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Corporate Governance

Details of the corporate governance practices of the company are set out on pages 11 to 17.

Connected Transactions

No transaction entered by the group during the year ended 31st March 2009 constituted connected transaction under the Listing Rules.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

David P. Chan

Chairman

Hong Kong, 25th June 2009

(A) Corporate Governance Practices

During the year ended 31st March 2009, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules (the “CG Code”) were applied by the company, and the relevant code provisions in the CG Code were met by the company, with the exception of certain deviations to be discussed below. The application of the relevant principles, and the reasons for the abovementioned deviations from the CG code provisions, are stated in the following sections.

(B) Directors’ Securities Transactions

The company has adopted the Model Code set out in Appendix 10 of the Listing Rules as amended from time to time by The Stock Exchange of Hong Kong Limited. All directors have confirmed, following enquiry by the company, that they have complied with the required standard set out in the Model Code throughout the year.

(C) Board of Directors

(i) Composition of the Board, number of Board meetings and Directors’ attendance

The company’s board has a balance of skills and experience and a balanced composition of executive and non-executive directors. The board comprises Mr David Pun Chan (Chairman), Mr William Wai Lim Lam and Mr Wing Sau Li as executive directors, Ms Ivy Sau Ching Chan as non-executive director and Mr Joseph Wing Siu Cheung, Mr Karl Chi Leung Kwok and Mr Man Sing Kwong as independent non-executive directors. Ms Ivy Sau Ching Chan is the sister of Mr David Pun Chan.

Four board meetings were held during the financial year ended 31st March 2009. The attendance of the directors is set out below:

Directors	Attendance at Meetings
David Pun Chan, <i>Chairman</i>	4
Ivy Sau Ching Chan	4
Joseph Wing Siu Cheung	3
Karl Chi Leung Kwok	4
Man Sing Kwong	4
William Wai Lim Lam	4
Wing Sau Li	4

Each director of the company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the group and its business. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The company is headed by an effective board which takes decisions objectively in the interests of the company. The company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensive assessment of the group's performance, position and prospects. Where these changes are pertinent to the company or directors' disclosure obligations, the directors are either briefed during board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the group. Newly appointed directors receive briefings and materials on their legal and other responsibilities as a director and the role of the board. The company has also provided appropriate information in a timely manner to the directors to enable them to make an informed decision and to discharge their duties and responsibilities as directors of the company.

There is a clear division of responsibilities between the board and the management. Decisions on important matters are specifically reserved to the board while decisions on the group's general operations are delegated to the management. Important matters include those affecting the group's strategic policies, major investment and funding decisions and major commitments relating to the group's operations.

The company has arranged appropriate insurance cover in respect of legal actions against its directors and officers. The board reviews the extent of this insurance annually.

(iii) Re-election of Directors

Under the second part of code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Every director of the company, including those appointed for a specific term (save for any chairman or managing director under the company's Private Act which was enacted in Bermuda in 1990), shall be subject to retirement by rotation at least once every three years. Pursuant to section 4(g) of the Private Act of the company, any chairman or any managing director of the company shall not be subject to retirement by rotation under the Bye-laws.

(D) Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The company does not have a separate Chairman and Chief Executive Officer and Mr David Pun Chan currently holds both positions. The board considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the company's strategies to grasp business opportunities efficiently and promptly. Such arrangement, which has been adopted by many local and international corporations, enables the company to meet the rapidly changing business environment which needs quicker decision making to achieve business efficiency.

(E) Non-executive Directors

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the company in accordance with the company's Bye-laws.

(F) Remuneration of Directors

The company has set up a Remuneration Committee consisting of a non-executive director and two other independent non-executive directors.

One Remuneration Committee meeting was held during the financial year ended 31st March 2009. Attendance of the Members is set out below:

Members	Attendance at Meeting
Karl Chi Leung Kwok, <i>Chairman of the Committee</i>	1
Ivy Sau Ching Chan	1
Man Sing Kwong	1

The terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code. Given below are the main duties of the Remuneration Committee:

- (a) to consider the company's policy and structure of all remuneration of directors and senior management;
- (b) to determine the specific remuneration packages of all executive directors and senior management;

- (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- (d) to review the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review compensation arrangements relating to dismissal or removal of directors for misconduct.

The work performed by the Remuneration Committee for the financial year ended 31st March 2009 is summarized below:

- (a) review of the company's policy and structure for all remuneration of directors and senior management;
- (b) consideration of the emoluments for all directors and senior management; and
- (c) review of the level of fees for directors.

The basis of determining the emoluments payable to its directors and senior management by the company is by reference to individual duties and market practices. The basis of determining the directors' fees (2008: HK\$150,000 per annum for each director) is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. The directors' fees are subject to approval from time to time by shareholders at annual general meetings of the company.

(G) Nomination of Directors

The company does not have a nomination committee as the role and function of such a committee are performed by the board.

The board is responsible for the formulation of nomination policies, making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill casual vacancies or as additions to the board. The Chairman from time to time reviews the composition of the board with particular regard to ensuring that there is an appropriate number of directors on the board independent of management. He also identifies and nominates qualified individuals for appointment as new directors of the company. New directors of the company will be appointed by the board. The board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments. Every new director is subject to retirement from the board at the annual general meeting of the company immediately following his or her appointment and may stand for re-election at the annual general meeting. During the year, no new members have been appointed to the board.

(H) Auditor's Remuneration

The fees in relation to the audit and other services provided by PricewaterhouseCoopers, the external auditor of the company, amounted to HK\$1.1 million and HK\$0.1 million respectively.

(I) Audit Committee

The company has set up an Audit Committee consisting of a non-executive director and three other independent non-executive directors.

Two Audit Committee meetings were held during the financial year ended 31st March 2009. Attendance of the Members is set out below:

Members	Attendance at Meetings
Karl Chi Leung Kwok, <i>Chairman of the Committee</i>	2
Ivy Sau Ching Chan	2
Joseph Wing Siu Cheung	1
Man Sing Kwong	2

The terms of reference of Audit Committee are aligned with the code provisions set out in the CG Code, the latest updates have been approved by the board to keep the provisions in line with the recent amendments to the Listing Rules. Given below are the main duties of the Audit Committee:

- (a) to consider the appointment of the external auditor and any questions of resignation or dismissal;
- (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit;
- (c) to review the half-year and annual financial statements before submission to the board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and legal requirements;

- (d) to discuss problems and reservations arising from the audit, and any matters the external auditor may wish to discuss; and
- (e) to review the audit program, and ensure co-ordination with external auditor, of the internal audit function.

The work performed by the Audit Committee for the financial year ended 31st March 2009 is summarized below:

- (a) approval of the remuneration and terms of engagement of the external auditor;
- (b) review of the half-year and annual financial statements before submission to the board;
- (c) review of the internal audit findings and internal audit plan;
- (d) review of the effectiveness of the internal control system of the group;
- (e) review of the external auditor's audit plan; and
- (f) making recommendation to the board on the re-appointment of external auditor.

(J) Internal Control

The directors are ultimately responsible for the internal control system of the group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organizational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole group. The Internal Auditor reports to the Audit Committee.

The Listing Rules have been amended to remove the requirement for a qualified accountant, and at the same time put in place a new code provision C.2.2 since 1st January 2009 such that a listed company is required to review annually the adequacy of resources, qualifications and experience of staff of its accounting and financial reporting function, and their training programmes and budget.

Despite the relaxation of the Listing Rules on the requirement for a listed company to have a named qualified accountant, it has always been the company's policy that the finance and accounting function is headed by a fully qualified accounting professional. The head of the finance and accounting function is Mr. William Wai Lim Lam, executive director and financial controller of the group. His biography is set out in the Biography of Directors and Senior Management on page 3.

A review of the effectiveness of the group's internal control system and procedures was conducted by the Audit Committee and subsequently reported to the board. The review covered all material controls, including financial, operational and compliance and risk management. It also considered the adequacy of resources, qualifications and experience of staff of the group's accounting and financial reporting function, and their training programmes and budget. Based on the result of the review in respect of the year ended 31st March 2009, the directors considered that the internal control system and procedures of the group were effective and adequate.

(K) Directors' Responsibilities for the Financial Statements

The directors acknowledge their responsibilities for overseeing the preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the company. In preparing the financial statements for the year ended 31st March 2009, the directors have ensured the selection of suitable accounting policies and consistent application thereof; made judgments and estimates that are prudent and reasonable, stated the reasons for any significant departures from applicable accounting standards in Hong Kong and ensured the going concern basis of presentation has been applied.

Financial Results

I am pleased to report that the audited group profit attributable to the equity holders of the company for the year ended 31st March 2009 amounted to HK\$210.9 million, as compared with the profit of HK\$351.2 million last year. The decrease in profits is mainly because of slower property sales due to the financial tsunami.

An interim dividend of HK 9 cents per share was paid on 20th January 2009. The board has recommended the payment of a final dividend of HK 14 cents per share to persons registered as shareholders on 1st September 2009. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 8th September 2009 and the total dividend for the year will be HK 23 cents per share, same as last year.

Property Development

Occupation Permit for our luxury residential project at Plunkett's Road was issued in early April 2008. Interior decoration work for the show house was also completed in early 2009. Marketing for this project has already begun. We are confident that this project will be a success as luxury residential prices have remained near record levels despite the financial tsunami.

Site grading work for the French Valley Airport Center project has already completed. Further work on this site will depend on the state of the American economy.

Hotel

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which your group has 35% interest, will continue to have steady performance in the next few years despite the challenging economic environment.

There are plans to upgrade the shopping mall at the Sheraton to enhance its competitiveness and income potential when there is certainty that economic recovery has begun.

Hi-tech Investments

There are signs that the U.S. high-tech sector are recovering as evidenced by the sharp rise of NASDAQ shares since the lows in March 2009. Some funds that we have invested in have realized the value of their companies through sale to large technology and pharmaceutical companies.

Prospects

Hong Kong has fared relatively well compared with other economies during this financial tsunami. The property market had been in the doldrums for about six months since September 2008. However, the property market has recovered in the past few months as interest rates have been at record low levels and the economy is not as bad as originally feared. Property sales at your group have made marked progress since May 2009.

Your group is very strong financially and we are one of the very few Hong Kong property companies in net cash position. We are well prepared to weather the present financial storm and to take advantage of any opportunities that may arise.

Finally, I would like to thank all staff for their loyal support and hard work.

David P. Chan

Chairman

Hong Kong, 25th June 2009

Consolidated Profit and Loss Account

(For the year ended 31st March 2009)

	<i>Note</i>	2009 HK\$Million	2008 <i>HK\$Million</i>
Revenue	5	365.4	452.0
Cost of sales		(154.8)	(193.2)
Gross profit		210.6	258.8
Other income	6	8.9	10.6
Administrative expenses		(30.8)	(32.7)
Write-back of provision against properties for sale		–	62.2
Impairment loss on available-for-sale financial assets		(22.0)	–
Fair value (losses)/gains on investment properties		(21.6)	1.4
Operating profit	7	145.1	300.3
Finance costs	10	(6.2)	(7.1)
Share of results of associates		104.6	113.6
Profit before income tax		243.5	406.8
Income tax expense	11	(32.6)	(55.6)
Profit attributable to equity holders of the company	12	210.9	351.2
Dividends	13	142.0	142.0
Earnings per share (basic and diluted)	14	\$0.34	\$0.57

Consolidated Balance Sheet

(As at 31st March 2009)

	Note	2009 HK\$Million	2008 HK\$Million
Non-current assets			
Property, plant and equipment	15	1.0	1.6
Investment properties	16	134.3	155.9
Associates	18	96.1	78.8
Available-for-sale financial assets	19	101.1	113.0
Deferred income tax assets	27	0.7	1.0
Mortgage loans receivable	20	6.2	8.9
		339.4	359.2
Current assets			
Properties for sale	21	3,027.0	2,670.0
Properties under development	22	175.5	555.8
Mortgage loans receivable	20	0.2	0.3
Debtors, deposits and prepayments	23	17.2	114.5
Amount due from an associate	18	6.3	6.3
Bank balances and cash	24	368.0	429.3
		3,594.2	3,776.2
Current liabilities			
Creditors, deposits and accruals	25	94.0	84.7
Borrowings	26	105.3	228.7
Current income tax liabilities		10.7	32.3
		210.0	345.7
Net current assets		3,384.2	3,430.5
Total assets less current liabilities		3,723.6	3,789.7
Non-current liabilities			
Borrowings	26	-	128.0
Deferred income tax liabilities	27	4.4	4.9
		4.4	132.9
Net assets		3,719.2	3,656.8
Equity			
Share capital	28	61.7	61.7
Reserves	29	3,571.1	3,508.7
Proposed final dividend	29	86.4	86.4
Total equity		3,719.2	3,656.8

Approved by the Board of Directors on 25th June 2009

Balance Sheet

(As at 31st March 2009)

	Note	2009 HK\$Million	2008 HK\$Million
Non-current asset			
Subsidiaries	17	2,349.2	2,349.2
Current assets			
Amount due from a subsidiary	17	491.7	532.9
Bank balances and cash	24	2.7	2.4
		494.4	535.3
Current liabilities			
Deposits and accruals	25	4.5	4.0
		4.5	4.0
Net current assets		489.9	531.3
Net assets		2,839.1	2,880.5
Equity			
Share capital	28	61.7	61.7
Reserves	29	2,691.0	2,732.4
Proposed final dividend	29	86.4	86.4
Total equity		2,839.1	2,880.5

Approved by the Board of Directors on 25th June 2009

David P. Chan

Wing Sau Li

Directors

Consolidated Statement of Changes in Equity

(For the year ended 31st March 2009)

	<i>Note</i>	2009 HK\$Million	2008 <i>HK\$Million</i>
Total equity at the beginning of the year		3,656.8	3,432.6
Exchange differences	29	(0.2)	(0.3)
Fair value loss on available-for-sale financial assets	29	(28.3)	(9.3)
Impairment loss on available-for-sale financial assets transferred to consolidated profit and loss account	29	22.0	–
Net expense recognised directly in equity		(6.5)	(9.6)
Profit attributable to equity holders of the company	29	210.9	351.2
Total recognised income		204.4	341.6
Dividends	29	(142.0)	(117.4)
Total equity at the end of the year		3,719.2	3,656.8

Consolidated Cash Flow Statement

(For the year ended 31st March 2009)

	<i>Note</i>	2009	2008
		HK\$Million	<i>HK\$Million</i>
Cash flows from operating activities			
Cash generated from operations	35	312.4	333.8
Interest paid		(8.8)	(17.1)
Hong Kong profits tax paid		(54.4)	(46.9)
Net cash from operating activities		249.2	269.8
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(0.3)
Interest received		9.0	10.5
Dividends received from associates		87.3	98.2
Investments in available-for-sale financial assets		(16.4)	(8.3)
Decrease in mortgage loans receivable		2.8	3.9
Net cash from investing activities		82.7	104.0
Cash flows from financing activities			
New borrowings		41.3	96.2
Repayments of borrowings		(292.5)	(66.6)
Dividends paid		(142.0)	(117.3)
Net cash used in financing activities		(393.2)	(87.7)
Net (decrease)/increase in bank balances and cash		(61.3)	286.1
Bank balances and cash at the beginning of the year		429.3	143.2
Bank balances and cash at the end of the year		368.0	429.3

Notes to the Financial Statements

1. General Information

Tai Cheung Holdings Limited is a limited liability company incorporated in Bermuda.

The company has its primary listing on The Stock Exchange of Hong Kong Limited.

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) (collectively “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Amendments and Interpretations to Published Standards effective in 2008/09 and adopted by the group

During the year, the group has adopted the new amendments and interpretations of HKFRSs and HKASs which are relevant to its operations. The group has assessed the impact of the adoption of these amendments and interpretations and considered that there was no significant impact on the group’s results and financial position nor any substantial changes in the group’s accounting policies.

Notes to the Financial Statements

2. Principal Accounting Policies (continued)

(c) Standards, Interpretations, Improvements and Amendments to Existing Standards that are not yet effective

Certain new standards, interpretations, improvements and amendments to existing standards have been published which are relevant to the group's operations and financial statements and are mandatory for the group's accounting periods beginning on or after 1st January 2009 or later periods as follows:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 and HKAS 1 (Amendments)	Financial Instruments: Presentation	1st January 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 8	Operating Segments	1st January 2009
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate	1st January 2009
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs	1st January 2009, 1st July 2009 and 1st January 2010

The group is in the process of making an assessment of the impact of these new standards, interpretations, improvements and amendments to standards and is not yet in a position to state whether they would have a significant impact on the group's results and financial position.

2. Principal Accounting Policies (continued)

(d) Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries made up to 31st March and the group's share of results of its associates and the relevant share of their post-acquisition reserves. The financial statements of the associates used for this purpose cover a year ended not more than three months before the company's year end and serve as the most recent available audited financial information. Where a significant event occurs between the associates' year end and that of the group, adjustments are made in the consolidated financial statements for the effect of the event.

(i) Subsidiaries

Subsidiaries are all entities over which the group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

(ii) Associates

Associates are all entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Principal Accounting Policies (continued)

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment comprise mainly office equipment and motor vehicles and are depreciated at an annual rate of 20% to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

(f) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for long term rental yields or for capital appreciation or both.

Investment property comprises land held under operating leases and buildings held under finance leases, and is measured initially at its cost, including related transaction costs.

Changes in fair values are recognised in the consolidated profit and loss account.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

2. Principal Accounting Policies (continued)

(g) Properties under Development and for Sale

Properties under development are investments in land and buildings on which construction work and development have not been completed. Properties under development are stated at the lower of cost and net realisable value. Land portion comprises prepayments for leasehold land that are measured at amortised cost less accumulated impairment losses. Building portion comprises construction costs and amounts capitalised in respect of amortisation of leasehold land and borrowing costs incurred during the construction period and up to the date of completion of construction. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(h) Impairment of Investments in Subsidiaries, Associates and Non-financial Assets

Assets that have indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial Assets

The group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The group determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, they are classified as non-current assets. Loans and receivables included mortgage loans receivable, trade debtors, bank balances and cash and amounts due from associates.

2. Principal Accounting Policies (continued)

(i) Financial Assets (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are recognised in the consolidated profit and loss account.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account – is removed from equity and recognised in the consolidated profit and loss account. Such impairment losses are not reversed through the consolidated profit and loss account where there is subsequent increase in the fair value of the securities. In the case of loans and receivables, the impairment policy is set out in note 2(j).

(j) Trade and Other Debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated profit and loss account. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated profit and loss account.

2. Principal Accounting Policies (continued)

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

(l) Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates which are expected to be applicable when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Financial Guarantees

A financial guarantee 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 payments when due in accordance with the original or modified terms of a debt instrument. The group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing the carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated profit and loss account immediately.

2. Principal Accounting Policies (continued)

(n) Revenue Recognition

Revenue comprises the fair value for the sale of goods and services in the ordinary course of the group's activities, net of discounts and after eliminating sales within the group. Revenue is recognised as follows:

(i) Sales of properties

Revenue on sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold. The group considers that the significant risks and rewards of ownership are transferred upon execution of binding sales agreement or the relevant occupation permits being issued by the authorities, whichever is the later.

(ii) Rental income

Rental income from letting the group's portfolio of investment properties and other properties is recognised on a straight-line basis over the lease term.

(iii) Dividend income

Dividend income is recognised when the group's right to receive payment is established.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Property management fee

Property management fee is recognised when the services are rendered.

(o) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease.

2. Principal Accounting Policies (continued)

(p) Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Provident fund scheme

For the non-contributory defined contribution provident fund scheme, regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Contributions to the scheme by the group are calculated as a percentage of employees' basic salaries. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme, the group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month, and are expensed as incurred.

(q) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

2. Principal Accounting Policies (continued)

(q) Foreign Currency Translation (continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated profit and loss account as part of the gain or loss on disposal.

(r) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(s) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only 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 financial statements. When a change in the probability of an outflow occurs so that outflow is possible, it will then be recognised as a provision.

2. Principal Accounting Policies (continued)

(t) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, properties for sale, properties under development, available-for-sale financial assets, debtors and operating cash excluding taxation. Segment liabilities comprise operating liabilities excluding taxation. Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, revenue, operating results, total assets and capital expenditure are based on the country in which the relevant assets are located.

(u) Dividend Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

3. Financial Risk Management

(a) Financial risk factors

The group's activities are exposed to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow interest-rate risk and price risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

(i) Foreign exchange risk

The group operates in Hong Kong and the United States and is exposed to limited foreign exchange risk as most assets and liabilities are denominated in HK dollars and US dollars.

The group has not entered into any forward contracts to manage the exposure to foreign exchange risk. When considered appropriate, the group will take the necessary actions to ensure that such exposure is properly hedged primarily through borrowings denominated in the relevant foreign currencies.

(ii) Credit risk

The carrying amounts of mortgage loans receivable, debtors and deposits, bank balances and cash and amount due from an associate represent the group's maximum exposure to credit risk in relation to financial assets. Credit risk is managed on a group basis. Credit risk arises from deposits with banks and financial institutions, mortgage loans receivable, as well as credit exposures to customers for sales and leases of properties, including outstanding debtors and committed transactions.

The group has policies in place to ensure that sales and leases of properties are made to customers with an appropriate credit history. The group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The group also has policies to require placement of rental deposits from tenants prior to commencement of leases.

The group places its deposits with reputable banks to mitigate the risk arising from banks.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the Financial Statements

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

The following table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group			Total HK\$Million
	Less than 1 year HK\$Million	Between 1 and 2 years HK\$Million	Between 2 and 5 years HK\$Million	
At 31st March 2009				
Creditors and deposits	88.5	-	-	88.5
Borrowings	105.3	-	-	105.3
Total	193.8	-	-	193.8
At 31st March 2008				
Creditors and deposits	77.2	-	-	77.2
Borrowings	235.6	71.0	60.0	366.6
Total	312.8	71.0	60.0	443.8

(iv) Cash flow interest-rate risk

The group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest-rate risk. The group has not entered into any interest-rate swaps contracts as the exposure to interest-rate risk is not significant.

At the balance sheet date, if interest rates on borrowings had been 1% (2008: 1%) lower/higher with all other variables held constant, the post-tax profit of the group would increase/decrease by approximately HK\$0.4 million (2008: HK\$1.9 million) resulting from the change in the bank borrowing costs.

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(v) Price risk

The group is exposed to equity securities price risk for available-for-sale financial assets held by the group. The group is not exposed to commodity price risk.

The carrying amount of the available-for-sale investments and the revaluation reserve (before any further impairment) of the group would increase/decrease by approximately HK\$10.1 million (2008: HK\$11.3 million) if the fair value of the available-for-sale investments were to increase/decrease by 10% (2008: 10%).

(b) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance.

The directors of the company review the capital structure periodically and consider the cost of capital and the risks associated with capital. The directors of the company also balance its overall capital structure through the payment of dividends, new share issues as well as drawdown and repayment of borrowings.

The company's total capital is calculated as the sum of "equity", as shown in the balance sheet. The company's strategy remained unchanged from the year ended 31st March 2008 and there was no significant change in the total capital during the year.

The group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as bank borrowings to equity.

The gearing ratios at 31st March 2009 and 2008 are as follows:

	2009	2008
	HK\$Million	HK\$Million
Total borrowings	105.3	356.7
Total equity	3,719.2	3,656.8
Gearing ratio	2.8%	9.8%

The decrease in gearing ratio during 2009 resulted from the repayment of borrowings.

3. Financial Risk Management (continued)

(c) Fair value estimation

The financial instruments of the group are not traded in active markets. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal value less impairment provision of debtors and creditors are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical Accounting Estimates and Assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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) Estimate of net realisable value of properties for sale

Net realisable value of properties for sale is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling properties of similar nature. It could change significantly as a result of changes in market condition. Management will reassess the estimations at each balance sheet date.

(b) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the "Valuation Standards on Valuation of Properties" published by the Hong Kong Institute of Surveyors. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using yield rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to the Financial Statements

4. Critical Accounting Estimates and Assumptions (continued)

(c) Deferred income tax

The group determines the amount of deferred income tax assets to be recognised by estimating the amount of future profit available to utilise the tax losses in the relevant tax jurisdiction and entity. The estimation is based on the projected profit in respective jurisdiction that is mainly based on market conditions existing on the balance sheet date. It could change as a result of uncertainties in the market conditions.

(b) Impairment of available-for-sale financial assets

The group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Revenue and Segment Information

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

Revenue which is also the group's turnover recognised during the year comprises:

	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Gross proceeds from sales of properties	232.8	326.6
Gross rental income from		
– investment properties	7.2	7.7
– other properties	119.4	111.8
Property management fees	6.0	5.9
	365.4	452.0

Notes to the Financial Statements

5. Revenue and Segment Information (continued)

(a) Primary reporting format – business segments
As at and for the year ended 31st March 2009

	Property development and leasing management <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Group <i>HK\$Million</i>
Revenue	359.4	6.0	-	-	365.4
Segment results before provision	177.4	2.8	-	9.6	189.8
Impairment loss on available-for-sale financial assets	-	-	-	(22.0)	(22.0)
Fair value losses on investment properties	(21.6)	-	-	-	(21.6)
Segment results	155.8	2.8	-	(12.4)	146.2
Unallocated costs					(1.1)
Operating profit					145.1
Finance costs					(6.2)
Share of results of associates	3.8	-	100.8	-	104.6
Profit before income tax					243.5
Income tax expense					(32.6)
Profit attributable to equity holders of the company					210.9
Segment assets	3,364.6	34.5	-	437.7	3,836.8
Associates	13.8	-	87.5	(5.2)	96.1
Unallocated assets					0.7
Total assets					3,933.6
Segment liabilities	158.2	35.0	-	6.1	199.3
Unallocated liabilities					15.1
Total liabilities					214.4
Depreciation	0.6	-	-	-	0.6
Amortisation	37.4	-	-	-	37.4

Notes to the Financial Statements

5. Revenue and Segment Information (continued)

(a) Primary reporting format – business segments (continued)

As at and for the year ended 31st March 2008

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Group <i>HK\$Million</i>
Revenue	446.1	5.9	-	-	452.0
Segment results before provision	223.7	2.7	-	11.2	237.6
Write-back of provision against properties for sale	62.2	-	-	-	62.2
Fair value gains on investment properties	1.4	-	-	-	1.4
Segment results	287.3	2.7	-	11.2	301.2
Unallocated costs					(0.9)
Operating profit					300.3
Finance costs					(7.1)
Share of results of associates	0.5	-	113.1	-	113.6
Profit before income tax					406.8
Income tax expense					(55.6)
Profit attributable to equity holders of the company					351.2
Segment assets	3,513.2	34.8	-	507.6	4,055.6
Associates	9.7	-	73.9	(4.8)	78.8
Unallocated assets					1.0
Total assets					4,135.4
Segment liabilities	400.6	35.2	-	5.6	441.4
Unallocated liabilities					37.2
Total liabilities					478.6
Capital expenditure	0.3	-	-	-	0.3
Depreciation	0.6	-	-	-	0.6
Amortisation	30.4	-	-	-	30.4

Notes to the Financial Statements

5. Revenue and Segment Information (continued)

(b) Secondary reporting format – geographical segments

As at and for the year ended 31st March 2009

	Revenue <i>HK\$Million</i>	Operating profit/(loss) <i>HK\$Million</i>	Total assets <i>HK\$Million</i>	Capital expenditure <i>HK\$Million</i>
Hong Kong	365.4	147.6	3,752.6	–
United States of America	–	(2.5)	181.0	–
	365.4	145.1	3,933.6	–

As at and for the year ended 31st March 2008

	Revenue <i>HK\$Million</i>	Operating profit/(loss) <i>HK\$Million</i>	Total assets <i>HK\$Million</i>	Capital expenditure <i>HK\$Million</i>
Hong Kong	452.0	308.7	3,994.9	0.1
United States of America	–	(8.4)	140.5	0.2
	452.0	300.3	4,135.4	0.3

6. Other Income

	2009 <i>HK\$Million</i>	2008 <i>HK\$Million</i>
Interest income	8.9	10.6

Notes to the Financial Statements

7. Operating Profit

	2009	2008
	HK\$Million	HK\$Million
Operating profit is stated after charging the following:		
Amortisation of leasehold land (net of amount capitalised under properties under development of HK\$0.2 million (2008: HK\$8.0 million))	37.4	30.4
Auditor's remuneration	1.1	1.1
Cost of property sales	91.6	125.2
Depreciation	0.6	0.6
Write-back of provision for impairment of mortgage loans receivable	(0.1)	(0.1)
Reversal of impairment loss on mortgage loans receivable previously written off	(0.2)	–
Operating lease rentals in respect of land and buildings	7.3	5.5
Outgoings in respect of		
– investment properties	2.9	2.6
– other properties	3.1	3.2

8. Staff Costs

The amount of staff costs (excluding directors' emoluments as disclosed in note 9) charged to the consolidated profit and loss account represents:

	2009	2008
	HK\$Million	HK\$Million
Salaries and allowances	50.0	47.9
Provident fund contributions less forfeitures (<i>note (a)</i>)	3.0	2.9
Less: Recharge of staff costs to building management funds (<i>note (b)</i>)	(24.1)	(22.9)
Less: Capitalised in properties under development	(17.1)	(11.7)
	11.8	16.2

Notes:

- (a) No forfeited contributions arising from employees leaving the scheme were utilised to offset contributions during the year (2008: Nil). At the balance sheet date, there was no forfeited contribution (2008: Nil) which is available to reduce the contributions payable in future years. Contributions payable at the year end was HK\$0.2 million (2008: HK\$0.2 million).
- (b) Recharge of staff costs represents reimbursement for property management services rendered.

Notes to the Financial Statements

9. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remunerations of the directors for the year ended 31st March 2009 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
David Pun Chan	0.30	2.21	0.18	0.22	2.91
William Wai Lim Lam	0.15	1.11	0.09	0.11	1.46
Wing Sau Li	0.15	1.36	0.11	0.13	1.75
Ivy Sau Ching Chan	0.15	-	-	-	0.15
Joseph Wing Siu Cheung	0.15	-	-	-	0.15
Karl Chi Leung Kwok	0.15	-	-	-	0.15
Man Sing Kwong	0.15	-	-	-	0.15
	1.20	4.68	0.38	0.46	6.72

The remunerations of the directors for the year ended 31st March 2008 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
David Pun Chan	0.24	2.02	0.17	0.20	2.63
William Wai Lim Lam	0.12	1.01	0.08	0.10	1.31
Wing Sau Li	0.12	1.24	0.10	0.12	1.58
Ivy Sau Ching Chan	0.12	-	-	-	0.12
Joseph Wing Siu Cheung	0.12	-	-	-	0.12
Karl Chi Leung Kwok	0.12	-	-	-	0.12
Man Sing Kwong	0.12	-	-	-	0.12
	0.96	4.27	0.35	0.42	6.00

Notes to the Financial Statements

9. Directors' and Senior Management's Emoluments (continued)

(b) Five highest paid individuals

The five highest paid individuals of the group included three (2008: three) directors of the company, details of whose emoluments are set out above. The emoluments of the remaining two (2008: two) highest paid employees of the group are as follows:

	2009 <i>HK\$Million</i>	2008 <i>HK\$Million</i>
Salaries and other emoluments	2.4	2.3
Discretionary bonuses	0.2	0.2
Provident fund contributions	0.2	0.2
	2.8	2.7

The above emoluments are analysed as follows:

	Number of employees	
	2009	2008
HK\$1,000,001 – HK\$1,500,000	2	2

10. Finance Costs

	2009 <i>HK\$Million</i>	2008 <i>HK\$Million</i>
Finance costs comprise the following:		
Interest on bank borrowings – bank loans and overdrafts wholly repayable within five years	8.4	17.1
Less: Amount capitalised in properties under development <i>(note)</i>	(2.2)	(10.0)
	6.2	7.1

Note: A capitalisation rate of 4.0% (2008: 4.8%) was used, representing the cost of the borrowings used to finance the properties under development.

Notes to the Financial Statements

11. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the group operates.

	2009	2008
	HK\$Million	<i>HK\$Million</i>
Current income tax		
Hong Kong profits tax	32.8	51.6
Deferred income tax (<i>note 27</i>)	(0.2)	4.0
	32.6	55.6

The taxation on the group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2009	2008
	HK\$Million	<i>HK\$Million</i>
Profit before income tax	243.5	406.8
Less: Share of results of associates	(104.6)	(113.6)
	138.9	293.2
Theoretical tax at a tax rate of 16.5% (2008: 17.5%)	22.9	51.3
Income not subject to tax	(1.4)	(1.7)
Expenses not deductible for tax purposes	3.6	–
Utilisation of previously unrecognised tax losses	(0.9)	(0.6)
Tax losses not recognised	4.2	3.4
Decrease in opening net deferred tax liabilities resulting from a decrease in income tax rate	(0.2)	–
Other temporary differences not recognised	4.4	3.2
Income tax expense	32.6	55.6

Notes to the Financial Statements

12. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the company is dealt with in the financial statements of the company to the extent of HK\$100.6 million (2008: HK\$100.6 million).

13. Dividends

	2009	2008
	HK\$Million	HK\$Million
Interim, paid, of HK 9 cents (2008: HK 9 cents) per ordinary share	55.6	55.6
Final, proposed, of HK 14 cents (2008: HK 14 cents) per ordinary share (<i>note</i>)	86.4	86.4
	142.0	142.0

Note: At a meeting held on 25th June 2009, the directors proposed a final dividend of HK 14 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2010.

14. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK\$210.9 million (2008: HK\$351.2 million) and ordinary shares in issue of 617,531,425 (2008: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2008: Nil).

Notes to the Financial Statements

15. Property, Plant and Equipment

	Group	
	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Cost		
At the beginning of the year	35.5	35.4
Additions	–	0.3
Disposals	(0.1)	(0.2)
At the end of the year	35.4	35.5
Accumulated depreciation		
At the beginning of the year	33.9	33.5
Charge for the year	0.6	0.6
Disposals	(0.1)	(0.2)
At the end of the year	34.4	33.9
Net book value		
At the beginning of the year	1.6	1.9
At the end of the year	1.0	1.6

16. Investment Properties

	Group	
	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	155.9	154.5
Fair value (losses)/gains	(21.6)	1.4
At the end of the year	134.3	155.9

Notes to the Financial Statements

16. Investment Properties (continued)

Investment properties are held in Hong Kong and their carrying values are analysed as follows:

	Group	
	2009 <i>HK\$Million</i>	2008 <i>HK\$Million</i>
On long term leases of more than 50 years	10.3	10.9
On medium term leases of between 10 to 50 years	124.0	145.0
	134.3	155.9

Investment properties were revalued on 31st March 2009 and 2008 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market value basis.

17. Subsidiaries

	Company	
	2009 <i>HK\$Million</i>	2008 <i>HK\$Million</i>
Unlisted shares, at cost	2,349.2	2,349.2

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Particulars of subsidiaries are shown in note 37 to the financial statements.

Notes to the Financial Statements

18. Associates

	Group	
	2009	2008
	HK\$Million	<i>HK\$Million</i>
At the beginning of the year	78.8	63.4
Share of results of associates		
– profit before income tax	122.7	133.1
– income tax expense	(18.1)	(19.5)
Dividends	(87.3)	(98.2)
At the end of the year	96.1	78.8

The amount due from an associate is unsecured, interest free and has no fixed terms of repayment.

Share of results and financial positions of the associates, all of which are unlisted, are as follows:

	Group	
	2009	2008
	HK\$Million	<i>HK\$Million</i>
Assets		
Non-current assets	223.9	231.4
Current assets	68.2	84.6
	292.1	316.0
Liabilities		
Non-current liabilities	103.6	109.2
Current liabilities	92.4	128.0
	196.0	237.2
Net assets	96.1	78.8
Income	286.1	308.8
Expenses	(163.4)	(175.7)
	122.7	133.1
Income tax expense	(18.1)	(19.5)
Share of results	104.6	113.6

Other particulars of associates are shown in note 37 to the financial statements.

Notes to the Financial Statements

19. Available-for-sale Financial Assets

	Group	
	2009	2008
	HK\$Million	HK\$Million
At the beginning of the year	113.0	114.0
Additions	16.4	8.3
Fair value loss (note 29)	(28.3)	(9.3)
At the end of the year	101.1	113.0

The group's available-for-sale financial assets are denominated in US dollars.

20. Mortgage Loans Receivable

Mortgage loans receivable represent the second mortgage loans granted to the purchasers of certain properties developed by the group and are secured by the properties. The mortgage loans receivable are denominated in Hong Kong dollars and carry interest at 1% over the Hong Kong dollars prime rate with interest free periods of 18 months to 3 years from the respective dates when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be by instalments over a period of 10 years to 23 years thereafter. Amount due within 12 months is included within current assets.

According to the group's credit terms, mortgage loans receivable that are less than three months past due are not considered impaired. As of 31st March 2009, the mortgage loans receivable of HK\$6.4 million (2008: HK\$9.2 million) were fully performing.

As at 31st March 2009, full impairment loss provision of HK\$0.9 million (2008: HK\$1.0 million) was made on the impaired mortgage loans receivable of the group.

The carrying amounts of mortgage loans receivable approximate their fair value.

21. Properties for Sale

Balance of properties for sale included unamortised leasehold land of HK\$1,359.8 million (2008: HK\$1,204.2 million).

As at 31st March 2009, properties for sale amounting to HK\$378.2 million (2008: HK\$458.8 million) were pledged as security for bank loan facilities granted to the group (note 30).

Notes to the Financial Statements

22. Properties under Development

Balance of properties under development included unamortised leasehold land of HK\$Nil million (2008: HK\$228.9 million).

As at 31st March 2009, properties under development amounting to HK\$175.5 million (2008: HK\$555.8 million) were pledged as security for bank loan facilities granted to the group (note 30).

23. Debtors, Deposits and Prepayments

	Group	
	2009	2008
	HK\$Million	HK\$Million
Trade debtors, aged		
0-3 months	6.6	105.3
Over 3 months	1.0	–
	7.6	105.3
Deposits and prepayments	9.6	9.2
	17.2	114.5

The carrying amounts of debtors and deposits approximate their fair value. Debtors, deposits and prepayments are mainly denominated in Hong Kong dollars.

Credit terms given to customers vary and are generally ranged from 3 to 6 months.

As at 31st March 2009, trade debtors of HK\$0.5 million (2008: HK\$99.1 million) were fully performing.

As at 31st March 2009, no trade debtor was impaired (2008: Nil). Trade debtors of HK\$7.1 million (2008: HK\$6.2 million) were past due but not impaired and aged within 150 days (2008: 90 days). These relate to debtors with good repayment history and no recent history of default, and the majority are covered by rental deposits.

Notes to the Financial Statements

24. Bank Balances and Cash

The carrying amounts of bank balances and cash are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Hong Kong dollars	337.0	419.1	2.7	2.4
US dollars	31.0	10.2	-	-
	368.0	429.3	2.7	2.4

25. Creditors, Deposits and Accruals

	Group		Company	
	2009	2008	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Creditors, aged				
0-3 months	2.4	4.7	-	-
Over 3 months	2.9	4.5	-	-
	5.3	9.2	-	-
Deposits and accruals	88.7	75.5	4.5	4.0
	94.0	84.7	4.5	4.0

The carrying amounts of creditors and deposits approximate their fair value. The creditors and deposits are mainly denominated in Hong Kong dollars.

Notes to the Financial Statements

26. Borrowings

	Group	
	2009	2008
	HK\$Million	<i>HK\$Million</i>
Non-current		
Bank loans		
– unsecured	–	25.4
– secured (<i>note 30</i>)	–	102.6
	–	128.0
Current		
Bank loans		
– unsecured	34.8	50.0
– secured (<i>note 30</i>)	70.5	178.7
	105.3	228.7
Total borrowings	105.3	356.7

The maturity of borrowings is as follows:

	2009	2008
	HK\$Million	<i>HK\$Million</i>
Within one year	105.3	228.7
In the second year	–	68.5
In the third to fifth year	–	59.5
	105.3	356.7

The exposure of the group's borrowings to interest-rate changes and the contractual repricing dates are all within 6 months from year end date (2008: 6 months).

The carrying amounts of borrowings approximate their fair value.

Notes to the Financial Statements

26. Borrowings (continued)

The carrying amounts of borrowings are denominated in the following currencies and the effective interest rates of borrowings at the balance sheet date were as follows:

Group

	2009	2009	2008	2008
	<i>HK\$Million</i>	Effective interest rate	<i>HK\$Million</i>	Effective interest rate
Hong Kong dollars	–	–%	292.5	2.8%
US dollars	105.3	2.6%	64.2	5.1%
	105.3		356.7	

27. Deferred Income Tax Assets/(Liabilities)

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2008: 17.5%). Movements in the deferred income tax assets and liabilities during the year are as follows:

Deferred income tax assets

Group

	Tax losses		Amortisation of leasehold land		Total	
	2009	2008	2009	2008	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	–	4.5	1.0	–	1.0	4.5
(Charged)/credited to consolidated profit and loss account	–	(4.5)	(0.3)	1.0	(0.3)	(3.5)
At the end of the year	–	–	0.7	1.0	0.7	1.0

Notes to the Financial Statements

27. Deferred Income Tax Assets/(Liabilities) (continued)

Deferred income tax liabilities

Group

	Fair value changes on investment properties		Accelerated depreciation allowances		Total	
	2009	2008	2009	2008	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	1.8	1.6	3.1	2.8	4.9	4.4
(Credited)/charged to consolidated profit and loss account	(0.6)	0.2	0.1	0.3	(0.5)	0.5
At the end of the year	1.2	1.8	3.2	3.1	4.4	4.9

Deferred income tax assets of HK\$75.5 million (2008: HK\$78.0 million) and HK\$50.5 million (2008: HK\$48.6 million) arising from unused tax losses of HK\$371.8 million (2008: HK\$371.2 million) and amortisation of leasehold land of HK\$305.9 million (2008: HK\$277.7 million) respectively have not been recognised in the financial statements.

Included in such unused tax losses are amounts of HK\$291.3 million (2008: HK\$291.9 million) which have no expiry date. The remaining balance will expire at various dates up to and including 2029.

28. Share Capital

	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Authorised:		
1,000,000,000 (2008: 1,000,000,000) ordinary shares of HK\$0.1 each	100.0	100.0
Issued and fully paid:		
617,531,425 (2008: 617,531,425) ordinary shares of HK\$0.1 each	61.7	61.7

Notes to the Financial Statements

29. Reserves

	Revaluation reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group					
At 1st April 2008	1.6	0.5	3,245.0	348.0	3,595.1
Exchange differences	-	(0.2)	-	-	(0.2)
Profit for the year	-	-	210.9	-	210.9
Fair value loss on available-for-sale financial assets	(28.3)	-	-	-	(28.3)
Impairment loss on available-for-sale financial assets transferred to consolidated profit and loss account	22.0	-	-	-	22.0
2008 final dividend paid	-	-	(86.4)	-	(86.4)
2009 interim dividend paid	-	-	(55.6)	-	(55.6)
At 31st March 2009	(4.7)	0.3	3,313.9	348.0	3,657.5
Representing:					
2009 final dividend proposed					86.4
Reserves at 31st March 2009					3,571.1
					3,657.5
Company					
At 1st April 2008	-	-	875.5	1,943.3	2,818.8
Profit for the year	-	-	100.6	-	100.6
2008 final dividend paid	-	-	(86.4)	-	(86.4)
2009 interim dividend paid	-	-	(55.6)	-	(55.6)
At 31st March 2009	-	-	834.1	1,943.3	2,777.4
Representing:					
2009 final dividend proposed					86.4
Reserves at 31st March 2009					2,691.0
					2,777.4

The contributed surplus is related to the group's restructuring in prior years. The distributable reserves of the company at 31st March 2009 amounted to HK\$2,777.4 million (2008: HK\$2,818.8 million).

Notes to the Financial Statements

29. Reserves (continued)

	Revaluation reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group					
At 1st April 2007	10.9	0.8	3,011.2	348.0	3,370.9
Exchange differences	-	(0.3)	-	-	(0.3)
Profit for the year	-	-	351.2	-	351.2
Fair value loss on available-for-sale financial assets	(9.3)	-	-	-	(9.3)
2007 final dividend paid	-	-	(61.8)	-	(61.8)
2008 interim dividend paid	-	-	(55.6)	-	(55.6)
At 31st March 2008	1.6	0.5	3,245.0	348.0	3,595.1
Representing:					
2008 final dividend proposed					86.4
Reserves at 31st March 2008					3,508.7
					3,595.1
Company					
At 1st April 2007	-	-	892.3	1,943.3	2,835.6
Profit for the year	-	-	100.6	-	100.6
2007 final dividend paid	-	-	(61.8)	-	(61.8)
2008 interim dividend paid	-	-	(55.6)	-	(55.6)
At 31st March 2008	-	-	875.5	1,943.3	2,818.8
Representing:					
2008 final dividend proposed					86.4
Reserves at 31st March 2008					2,732.4
					2,818.8

Notes to the Financial Statements

30. Pledge of Assets

Certain properties for sale and properties under development of the group with carrying values of HK\$553.7 million (2008: HK\$1,159.6 million) have been pledged to banks as security for facilities granted to the extent of HK\$174.7 million (2008: HK\$424.0 million) against which HK\$70.5 million (2008: HK\$281.3 million) has been utilised at the balance sheet date.

31. Commitments

	Group	
	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Capital commitment in respect of available-for-sale financial assets	72.3	70.1
Development expenses contracted but not provided for in respect of properties under development	1.2	11.2
	73.5	81.3

32. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group	
	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Not later than one year	7.3	7.2
Later than one year and not later than five years	25.8	27.3
Later than five years	1.0	2.8
	34.1	37.3

33. Future Operating Lease Receivables

The group had future minimum lease receivables under non-cancellable operating leases in respect of properties as follows:

	Group	
	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Not later than one year	92.4	81.8
Later than one year and not later than five years	86.2	36.6
	178.6	118.4

Notes to the Financial Statements

34. Financial Guarantees

	Company	
	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Guarantees for credit facilities drawn down by subsidiaries	105.3	356.7

35. Consolidated Cash Flow Statement

Reconciliation of profit before income tax to cash generated from operations:

	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Profit before income tax	243.5	406.8
Share of results of associates	(104.6)	(113.6)
Write-back of provision against properties for sale	–	(62.2)
Amortisation of leasehold land	37.4	30.4
Depreciation	0.6	0.6
Impairment loss on available-for-sale financial assets	22.0	–
Fair value losses/(gains) on investment properties	21.6	(1.4)
Interest expenses	6.2	7.1
Interest income	(8.9)	(10.6)
Operating profit before working capital changes	217.8	257.1
(Increase)/decrease in properties for sale	(394.6)	122.7
Decrease/(increase) in properties under development	382.3	(80.6)
Decrease in debtors, deposits and prepayments	97.2	29.8
Increase in creditors, deposits and accruals	9.7	4.8
Cash generated from operations	312.4	333.8

36. Related Party Transactions

During the year, in addition to the balance with the associate as disclosed in note 18, the following transactions were carried out with related parties in the normal course of its business:

Key management compensation

	2009	2008
	<i>HK\$Million</i>	<i>HK\$Million</i>
Salaries and other employee benefits	2.8	2.7

Notes to the Financial Statements

37. Particulars of Subsidiaries and Associates

Subsidiaries	Principal Activities	Issued ordinary share capital held		Particulars of issued shares	
		by Group %	by Company %	Number of shares	Par value
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	100	US\$1
Tai Cheung Properties Limited	Investment holding and property development	100	-	386,633,750	HK\$1
Acmx Enterprises Limited	Property development	100	-	2	HK\$1
Acura Enterprises Limited	Property development	100	-	2	HK\$1
Antier Investment Company Limited	Property development	100	-	3	HK\$100
Avanzado Technology Park, Inc.	Property development	100	-	100	US\$10
Centrax Limited	Property investment	100	-	2	HK\$1
Cosmopolitan Estates Limited	Property investment	100	-	1,000,000	HK\$1
Denmore Limited	Investment holding	100	-	2	HK\$1
Dumex Limited	Investment holding	100	-	30,000	HK\$100
Edward Contractors, Inc.	Contracting services	100	-	10,000	US\$1
Edward Properties LLC	Property management	100	-	-	-
Enrich Investments Limited	Property development	100	-	2	HK\$1
Flitshire Properties Limited	Property development	100	-	2	HK\$1
French Valley Airport Center LLC	Property development	100	-	-	-
Hoi Ka Company Limited	Property development	100	-	10,000	HK\$100
Jaco Limited	Property development	100	-	2	HK\$1
Jumbo Realty Limited	Property development	100	-	3,600,000	HK\$10
Junco (Nominees) Limited	Nominee company	100	-	2	HK\$100
Karness Limited	Investment holding	100	-	1	US\$1
Kenic Properties Limited	Investment holding	100	-	2	HK\$100
Lee May Investments Limited	Property development	100	-	12	HK\$5
Maidstone Construction Company Limited	Construction	100	-	60,000	HK\$10
South Land Enterprises Limited	Property development	100	-	2	HK\$1
Sum Lung Investment Company Limited	Property development	100	-	100,000	HK\$100
Tai Cheung Capital Limited	Investment holding	100	-	50,000	HK\$100
Tai Cheung Construction Company Limited	Property development	100	-	2,500	HK\$200
Tai Cheung Management Company Limited	Property management	100	-	45,000	HK\$100
Tai Cheung Secretaries Limited	Corporate secretary	100	-	2	HK\$1
Taico Properties, Inc.	Property development	100	-	1,000,000	US\$1
Tareau International Company Limited	Investment holding	100	-	2	HK\$1
Tatrine Development Company Limited	Property development	100	-	2	HK\$10
Turnhouse Limited	Property development	100	-	2	HK\$1
Walsmith Corporation Limited	Investment holding	100	-	2	HK\$1
Wang Yip Construction Company Limited	Construction	100	-	50,000	HK\$100
Winfield Investments Limited	Property development	100	-	2	HK\$1
Woodmont Investments Limited	Property development	100	-	2	HK\$1
Y Lee Enterprises Limited	Property development	100	-	14,000,000	HK\$1
Yescott International Limited	Investment holding	100	-	2	HK\$1
Zebrine Investments Limited	Property development	100	-	2	HK\$10

Notes to the Financial Statements

37. Particulars of Subsidiaries and Associates (continued)

Associates	Principal Activities	Issued ordinary share capital held	
		by Group %	by Company %
** Consolidated Hotels Limited	Hotel investment	35	–
* Macfull Limited	Property development	20	–
** Macfull Finance Limited	Investment holding	20	–
** Shepherd Investments Limited	Investment holding	48	–

All subsidiaries and associates are incorporated in Hong Kong except Avanzado Technology Park, Inc., Edward Contractors, Inc., Edward Properties LLC, French Valley Airport Center LLC and Taico Properties, Inc. which are incorporated in the United States; Tai Cheung (B.V.I.) Company Limited which is incorporated in the British Virgin Islands, and Karness Limited which is incorporated in the Cook Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited and Karness Limited which operate internationally.

* The financial statements of these associates have been audited by firms other than PricewaterhouseCoopers, Hong Kong. The share of net assets and profit before income tax of these associates attributable to the group amounted to HK\$8.6 million (2008: HK\$4.9 million) and HK\$3.8 million (2008: HK\$0.5 million) respectively.

** Associates with 31st December year ends.

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of Tai Cheung Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements of Tai Cheung Holdings Limited (the "company") and its subsidiaries (together, the "group") set out on pages 19 to 62 which comprise the consolidated and company balance sheets as at 31st March 2009, and the consolidated profit and loss account, 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 financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the 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 financial statements.

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

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of Tai Cheung Holdings Limited (continued)

(incorporated in Bermuda with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the group and of the company as at 31st March 2009 and of the profit and cash flows of the group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25th June 2009

Schedule of Properties

The directors are of the opinion that a complete list of the properties held by the group will be of excessive length and therefore the following list contains only those properties which are material to the group as at 31st March 2009:–

(I) Properties held for development or sale

Location	Stage of completion	Expected date of completion	Type	Group's ownership	Approximate floor area attributable to the group
Southmark 11 Yip Hing St., Aberdeen	Completed	N/A	C/P	100%	303,241 s.f.
Eastern Central Plaza 3 Yiu Hing Road, Shau Kei Wan	Completed	N/A	C	100%	110,923 s.f.
Metropole Square 2 On Yiu St., Sha Tin	Completed	N/A	I	100%	429,483 s.f.
Max Trade Centre 23 Luk Hop St., San Po Kong	Completed	N/A	I	100%	116,333 s.f.
Tuen Mun Parklane Square 2 Tuen Hi Road, Tuen Mun	Completed	N/A	C/P	100%	313,172 s.f.
Tuen Mun Central Square 22 Hoi Wing Road, Tuen Mun	Completed	N/A	C/P	100%	469,644 s.f.
33 Cape Road 33 Cape Road, Chung Hom Kok	Completed	N/A	R	100%	23,703 s.f.
3 Plunkett's Road 3 Plunkett's Road, The Peak	Completed	N/A	R	100%	23,330 s.f.
French Valley Airport Center California, U.S.A.	Planning stage	By phases from December 2010 to December 2013	I/C	100%	781,000 s.f.

(II) Properties held for investment

Location	Terms of lease	Type	Group's ownership	Approximate floor area attributable to the group
Cosmopolitan Estate Tai Kok Tsui, Kowloon	999 years from 5/8/1871	C	100%	2,161 s.f.
Concordia Plaza Junction of Cheung Wan Road and Science Museum Road, Tsim Sha Tsui	30/6/2047	P	100%	99,562 s.f.

Note: I = Industrial R = Residential C = Commercial P = Public Carpark

Five Year Financial Summary

	2005 <i>HK\$Million</i>	2006 <i>HK\$Million</i>	2007 <i>HK\$Million</i>	2008 <i>HK\$Million</i>	2009 <i>HK\$Million</i>
Consolidated Profit and Loss Account					
Revenue	310.2	267.4	304.8	452.0	365.4
Profit attributable to equity holders of the company	183.0	216.8	271.8	351.2	210.9
Dividends	61.8	86.5	111.2	142.0	142.0
Consolidated Balance Sheet					
Property, plant and equipment	2.0	2.3	1.9	1.6	1.0
Investment properties	152.1	153.6	154.5	155.9	134.3
Associates	79.9	67.8	63.4	78.8	96.1
Investment securities	67.2	–	–	–	–
Available-for-sale financial assets	–	82.6	114.0	113.0	101.1
Deferred income tax assets	14.7	14.1	4.5	1.0	0.7
Mortgage loans receivable	24.9	19.2	12.8	8.9	6.2
Net current assets	3,013.0	3,125.3	3,085.9	3,430.5	3,384.2
Total assets less current liabilities	3,353.8	3,464.9	3,437.0	3,789.7	3,723.6
Borrowings	244.5	212.9	–	128.0	–
Deferred income tax liabilities	3.4	3.9	4.4	4.9	4.4
	247.9	216.8	4.4	132.9	4.4
Net assets	3,105.9	3,248.1	3,432.6	3,656.8	3,719.2
Share capital	61.7	61.7	61.7	61.7	61.7
Reserves	3,007.1	3,137.0	3,309.1	3,508.7	3,571.1
Proposed final dividend	37.1	49.4	61.8	86.4	86.4
Total equity	3,105.9	3,248.1	3,432.6	3,656.8	3,719.2
Performance Statistics					
Earnings per share	\$0.30	\$0.35	\$0.44	\$0.57	\$0.34
Dividends per share	\$0.10	\$0.14	\$0.18	\$0.23	\$0.23
Dividend cover	3.0	2.5	2.4	2.5	1.5
Net assets per share	\$5.03	\$5.26	\$5.6	\$5.9	\$6.02
Current ratio	12.1	16.5	8.1	10.9	17.1
Gearing	13.3%	9.8%	9.5%	9.8%	2.8%