Tern Properties
Company Limited

STOCK CODE: 277

Annual Report 2010

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lee Yip Wah, Peter	*(Resigned on 10 August 2009)*
Huen Po Wah	*(Appointed on 10 August 2009)*

PRINCIPAL BANKERS

Wing Lung Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

HLM & Co.
Certified Public Accountants, Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.tern.hk

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Hoi Sow

Mr. Chan, aged 76, has been the Chairman and Managing Director of the Group since 1987. Mr. Chan has more than 30 years experience in property investment and development in Hong Kong, the Mainland China and overseas. He is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company.

CHAN Yan Tin, Andrew

Mr. Chan, aged 46, has been an executive director of the Company since January 2004. He was an executive director from October 1987 to April 2001 and a non-executive director from April 2001 to January 2004. He graduated from Simon Fraser University, and has extensive experience in property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company.

CHAN Siu Keung, Leonard

Mr. Chan, aged 53, has been an executive director of the Company since October 1994. Mr. Chan is a qualified accountant. He joined the Group in 1992 and has extensive experience in finance and investment.

CHAN Kwok Wai

Mr. Chan, aged 51, has been an independent non-executive director of the Company since September 2004. He is also the chairman of the audit committee and the chairman of the remuneration committee. He holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of the Hong Kong Securities Institute. He has over 20 years of experience in finance and accounting industry. Mr. Chan is currently a director of High Progress Consultants Limited and an independent non-executive director of the five listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Junefield Department Store Group Limited, National Electronics Holdings Limited, Far East Consortium International Limited and China Investments Holdings Limited.

TSE Lai Han, Henry

Mr. Tse, aged 45, has been an independent non-executive director of the Company since September 2004. He is also a member of the audit committee and a member of the remuneration committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development through various postings with major contractors and developers in Hong Kong and overseas.

LEUNG Kui King, Donald

Mr. Leung, aged 54, has been an independent non-executive director of the Company since April 2008. He is also a member of the audit committee. He graduated from The University of California, Berkeley and completed Harvard University's Advanced Management Program. Mr. Leung started his career in banking with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then spent 20 years with Sun Hung Kai Properties Group and retired as Assistant to Chairman in January 2006. He was an executive director of SUNeVision Holdings Ltd., a listed public company in Hong Kong, up to December 2005.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's audited consolidated profit for the year ended 31 March 2010, after providing for taxation, amounted to HK$443,137,915. Earnings per share for the year was HK$1.44.

DIVIDENDS

The Board of Directors of the Company has resolved to recommend a final dividend of HK2.5 cents per share and a special dividend of HK5.0 cents per share for the year ended 31 March 2010. The proposed final dividend and special dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 4 August 2010, will be payable on Monday, 9 August 2010 to the shareholders on the Register of Members of the Company on Wednesday, 28 July 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 28 July 2010 to Wednesday, 4 August 2010, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend and special dividend, and to determine the identity of the shareholders entitled to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 July 2010.

BUSINESS REVIEW

Hong Kong

The local economy has been steady since the middle of last year. The Group's rental income for the year remained stable. Meanwhile the capital value of the Group's investment properties increased significantly during the year.

The Group's gross rental income for the year was HK$66.1 million. In addition, the Group's share of gross rental income from its associates was HK$12.5 million. Therefore the total gross rental income attributable to the Group amounted to HK$78.6 million, approximately the same as that of the previous year. During the year, the Group recorded an increase in fair value of HK$359.4 million for its investment properties. The Group's profit for the year amounted to HK$443.1 million.

During the year, the Group's commercial shop properties located on Park Lane Shoppers Boulevard and Nathan Road generally recorded a moderate increase in rental income, but a few commercial and office properties recorded slight downward adjustment in rental income. The Group's rental portfolio continued to achieve a high average occupancy rate of 98% during the year.

The Group increased its investment in offshore debt securities during the year. The investment generated interest income totaling HK$3.6 million for the year.

Overseas

During the year, the Group sold a residential suite in Pointe Claire in the City of Vancouver, Canada and continued to hold the remaining one suite for rental income purpose.

CHAIRMAN'S STATEMENT

PROSPECTS

Although global interest rate has been at exceptionally low level, the recovery of individual economy differs significantly. Although the economy in the United States has been showing signs of improvement, its unemployment rate remains high. In Europe, the fiscal deficit of several EU member states rise to exorbitant level which in turn jeopardize their own sovereign credit rating and cast the prospect of European economic recovery into uncertainty. Meanwhile the Mainland economy has been buzzing throughout the year and is adjusting its stimulus measures to suit the sustainable expansionary strategy in the long term. Despite significant challenges lying ahead, the optimism in the Mainland economic prospect will be beneficial to the local economy.

In the local residential property market, trading activities has turned cautious after substantial price increase early in the year and recent measures imposed by the authority to regulate the primary market. The market is expected to stabilise in the second half of the year. Meanwhile the rental rate of commercial shop and office properties will turn soft. However the capital value of shop properties in prime location will maintain at higher level due to the limited supply.

The Group's rental income from its investment properties is expected to remain stable next year. Due to the substantial increase in the value of the Group's property assets, the financial position of the Group will continue to strengthen with low gearing.

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

Chan Hoi Sow
Chairman

Hong Kong, 11 June 2010

FINANCIAL OPERATION REVIEW

OPERATION

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

The Group's gross rental income for the year ended 31 March 2010 amounted to HK$66.1 million (2009: HK$65.9 million), an increase of 0.4% from last year. During the year, the Group's commercial shop properties located on Park Lane Shoppers Boulevard and in Burlington House on Nathan Road generally recorded a moderate increase in rental income while The Wave recorded a moderate decrease. At 31 March 2010, the Group held investment properties amounting to HK$1,792.9 million (2009: HK$1,430.5 million), an increase of HK$362.4 million from last year. The increase was due primarily to the increase in capital value of the Group's property portfolio during the year. The Group's share of gross rental income from its associates amounted to HK$12.5 million (2009: HK$13.4 million), a decrease of 6.8% from last year. The Group's rental portfolio continued to achieve a high average occupancy rate of 98% during the year.

During the year, the Group sold a residential unit in Hong Kong and Vancouver respectively for a total consideration of HK$17.7 million while its associate sold four shop properties in Tern Plaza for a total consideration of HK$167.0 million.

The Group's interest income for the year ended 31 March 2010 amounted to HK$3.6 million (2009: HK$0.8 million), an increase of HK$2.8 million from last year due to the increase in debt securities investment. At 31 March 2010, the Group held debt securities investment amounting to HK$103.4 million (2009: HK$8.1 million), an increase of HK$95.3 million from last year.

RESULTS

The Group's profit for the year ended 31 March 2010 amounted to HK$443.1 million (2009: loss of HK$266.9 million). The profit was due primarily to the increase in the fair value of investment properties and unrealised gain on debt securities investment of the Group and its associates upon revaluation at the end of the reporting period, the gain on disposal of investment properties, higher interest income and lower interest expense during the year. The Group's share of profit of associates after taxation amounted to HK$31.5 million (2009: loss of HK$28.9 million).

Earnings per share for the year ended 31 March 2010 were HK$1.44 (2009: loss per share of HK$0.87). The proposed final dividend of HK2.5 cents (2009: HK1.5 cents) per share and special dividend of HK5.0 cents (2009: HK$Nil) per share will make a total distribution of interim dividend, final dividend and special dividend of HK8.5 cents (2009: HK2.0 cents) per share for the full year, an increase of HK6.5 cents from last year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2010, the Group's net current assets including time deposits, bank balances and cash of HK$95.7 million amounted to HK$161.9 million (2009: net current liabilities of HK$66.5 million). At 31 March 2010, the Group's banking facilities amounting to HK$515.2 million (2009: HK$591.2 million) were fully secured by its investment properties and leasehold land and building with an aggregate carrying value amounting to HK$1,099.0 million (2009: HK$1,331.8 million). At 31 March 2010, these facilities were utilised to the extent of HK$412.5 million (2009: HK$419.1 million).

At 31 March 2010, the total amount of outstanding bank borrowings net of time deposits, bank balances and cash were HK$316.8 million (2009: HK$350.5 million), a decrease of HK$33.7 million from last year. The decrease was due to the use of partial proceeds from the sale of investment properties to repay bank borrowings during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was at 17.2% (2009: 25.0%).

FINANCIAL OPERATION REVIEW

Of the total bank loans at 31 March 2010, HK$8.7 million or 2.1% were repayable within one year, HK$167.7 million or 40.7% were repayable after one year but within two years. HK$223.5 million or 54.1% were repayable after two years but within five years. HK$12.6 million or 3.1% were repayable after five years.

The Group's finance costs for the year ended 31 March 2010 were HK$4.9 million (2009: HK$13.1 million), a decrease of 62.5% from last year. The decrease was due to bank borrowings at lower average market interest rate for the year.

SHAREHOLDERS' FUNDS

At 31 March 2010, the Group's shareholders' funds amounted to HK$1,838.4 million (2009: HK$1,403.0 million), an increase of 31.0% from last year. The net asset value per share was HK$5.97 (2009: HK$4.56). The increase in shareholders' funds was due primarily to the retained profit and the increase in the fair value of the investment properties of the Group and its associates upon revaluation at the end of the reporting period.

At 31 March 2010, the Group had no significant exposure to foreign exchange rate fluctuations.

RISK MANAGEMENT

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

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2010, the total number of staff of the Group was 14 (2009: 13). The total staff costs including Directors' remuneration amounted to HK$11.0 million (2009: HK$9.2 million).

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2010, except that the roles of chairman and chief executive officer are performed by the same individual which is a deviation from provision A.2.1 of the Code.

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

BOARD OF DIRECTORS

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

The Board held four meetings during the year ended 31 March 2010. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

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

Mr. Chan Hoi Sow, the Chairman of the Board is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company. Save as disclosed above, during the year, none of the other directors has or maintained any financial, business, family or other material relevant relationship with any of the other directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

CORPORATE GOVERNANCE

NON-EXECUTIVE DIRECTORS

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

Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. All of the Independent Non-Executive Directors have been appointed for a period of three years from 1 April 2008. However, one-third of all the Directors are subject to retirement from office by rotation at the annual general meeting in accordance with Article 103 of the Articles of Association of the Company.

AUDIT COMMITTEE

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

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

The Audit Committee held two meetings during the year ended 31 March 2010. The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2009 and for the six months ended 30 September 2009 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditors for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2010 with the Directors.

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held one meeting during the year ended 31 March 2010. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages of all the Directors and senior management to the Board.

CORPORATE GOVERNANCE

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. According to the Articles of Association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Board will review the structure, size and composition of the Board from time to time and make recommendation on the appointment of directors.

The Board neither nominated nor appointed any new director during the year ended 31 March 2010.

ATTENDANCE OF DIRECTORS AT MEETINGS

The attendance of the Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 March 2010 is set out below:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 March 2010 in accordance with the Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditors of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditors' Report on pages 16 and 17.

CORPORATE GOVERNANCE

INTERNAL CONTROLS

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

The Board has conducted an annual review of the effectiveness of the internal control system of the Company and its subsidiaries. The review covered relevant financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget.

The Board has concluded that the Group's overall system of internal controls has effectively exercised its functions during the year, and will continue to improve the operation of the system.

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditors, HLM & Co. for its audit services for the year ended 31 March 2010 amounted to HK$290,000. The auditors did not provide any non-audit service to the Group during the year.

SHAREHOLDER COMMUNICATION

The Company uses a variety of means to communicate with its shareholders and ensure that they are kept well informed of its key business development. The tools include convening general meetings, despatching interim and annual reports, announcements and circulars to the shareholders.

At the 2009 annual general meeting, separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The respective chairman of the Board, Audit Committee and Remuneration Committee attended the annual general meeting to ensure effective communication with shareholders.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 18 and 19 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 18.

An interim dividend of HK1.0 cents per share amounting to HK$3,077,625 was paid on 8 January 2010. The Directors now recommend the payment of a final dividend of HK2.5 cents per share and a special dividend of HK5.0 cents per share to be paid to the shareholders on the Register of Members on 28 July 2010 amounting to HK$23,082,189.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the end of the reporting period. The net surplus arising on revaluation, which has been credited directly to the consolidated statement of comprehensive income, amounted to HK$359,360,740.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 15 and 16 to the consolidated financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2010 are set out on pages 69 to 70.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 28 to the consolidated financial statements.

DIRECTORS

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

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

Independent Non-Executive Director
Mr. Chan Kwok Wai
Mr. Tse Lai Han, Henry
Mr. Leung Kui King, Donald

REPORT OF THE DIRECTORS

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

Pursuant to Article 103 of the Articles of Association, Mr. Chan Siu Keung, Leonard and Mr. Chan Kwok Wai shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long position in Shares of the Company:

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Mr. Chan Hoi Sow	Beneficial Owner	Personal Interest	2,036,000	173,362,896	56.33
	Interest of Controlled Corporation *(note)*	Corporate Interest	171,326,896		
Mr. Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Mr. Chan Siu Keung, Leonard	–	–	–	–	–
Mr. Chan Kwok Wai	–	–	–	–	–
Mr. Tse Lai Han, Henry	–	–	–	–	–
Mr. Leung Kui King, Donald	–	–	–	–	–

Note: Mr. Chan Hoi Sow had a 100% interest in Beyers Investments Limited which, through its wholly owned subsidiary, Noranger Company Limited, held 145,504,000 ordinary shares of the Company. He also had a 100% interest in Evergrade Investments Limited which held 25,822,896 ordinary shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madam Chan Loo Kuo Pin, were deemed to have interests in 171,326,896 ordinary shares of the Company.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2010 or had been granted or exercised any such right during the year.

REPORT OF THE DIRECTORS

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

At 31 March 2010, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Loo Kuo Pin	Interest of Spouse *(Note 1)*	Family Interest	173,362,896	173,362,896	56.33
Noranger Company Limited	Beneficial Owner *(Note 2)*	Corporate Interest	145,504,000	145,504,000	47.28
Beyers Investments Limited	Interest of Controlled Corporation *(Note 2)*	Corporate Interest	145,504,000	145,504,000	47.28
Evergrade Investments Limited	Beneficial Owner *(Note 3)*	Corporate Interest	25,822,896	25,822,896	8.39
Edward Kew	Beneficial Owner *(Note 4)*	Personal Interest	5,461,200	25,968,494	8.44
	Interest of Spouse *(Note 4)*	Family Interest	8,856,494		
	Interest of Controlled Corporation *(Note 4)*	Corporate Interest	11,650,800		
Kew Youn Lunn	Beneficial Owner *(Note 5)*	Personal Interest	2,380,800	25,968,494	8.44
	Interest of Spouse *(Note 5)*	Family Interest	5,461,200		
	Interest of Controlled Corporation *(Note 5)*	Corporate Interest	18,126,494		

Notes:

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

2. The two references to 145,504,000 shares relate to the same block of shares in the Company. These shares are held by Noranger Company Limited which is wholly owned by Beyers Investments Limited which in turn is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".

REPORT OF THE DIRECTORS

3. These shares are held by Evergrade Investments Limited which is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".

4. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.

5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2010, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 11 June 2010

INDEPENDENT AUDITORS' REPORT

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西 2-12 號聯發商業中心 305 室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

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

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 67, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 11 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$	2009 HK$
Turnover	5	**66,145,136**	65,907,707
Property expenses		**(2,750,562)**	(2,456,830)
Gross profit		**63,394,574**	63,450,877
Unrealised gain (loss) on financial assets held for trading		**3,328,605**	(466,889)
Interest income	7	**3,587,005**	783,919
Other operating income (expense)		**899,927**	(1,189,560)
Increase (decrease) in fair value of investment properties	15	**359,360,740**	(254,777,515)
Gain (loss) on disposal of investment properties		**12,358,824**	(11,699,957)
Administrative expenses		**(20,474,049)**	(18,350,297)
Profit (loss) from operations	8	**422,455,626**	(222,249,422)
Finance costs	9	**(4,915,972)**	(13,116,676)
Share of results of associates	19	**31,472,460**	(28,857,265)
Profit (loss) before taxation		**449,012,114**	(264,223,363)
Taxation	12	**(5,874,199)**	(2,641,440)
Profit (loss) for the year		**443,137,915**	(266,864,803)
Other comprehensive income		**–**	–
Total comprehensive income (expense) for the year and attributable to owners of the Company		**443,137,915**	(266,864,803)
Dividends	13	**26,159,814**	6,155,501
Earnings (loss) per share	14	**HK$1.44**	(HK$0.87)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Investment properties	15	**1,792,882,650**	1,430,529,525
Property, plant and equipment	16	**6,902,121**	8,044,211
Leasehold land	17	**71,859,522**	72,895,196
Interests in associates	19	**212,582,372**	269,109,912
Available-for-sale investments	20	**2,160,500**	2,160,500
Loans and receivables	21	**8,110,381**	8,110,381
		2,094,497,546	1,790,849,725
Current assets			
Trade and other receivables	22	**3,848,971**	2,275,703
Financial assets held for trading	23	**95,304,604**	–
Leasehold land – current portion	17	**1,035,674**	1,035,674
Tax recoverable		**291,991**	107,286
Time deposits, bank balances and cash	24	**95,723,805**	68,593,939
		196,205,045	72,012,602
Current liabilities			
Trade and other payables	25	**6,840,398**	9,302,872
Rental deposits from tenants		**16,665,003**	16,904,885
Tax liabilities		**2,121,766**	2,096,598
Secured bank loans – due within one year	26	**8,718,352**	110,241,994
		34,345,519	138,546,349
Net current assets (liabilities)		**161,859,526**	(66,533,747)
Non-current liabilities			
Deferred tax liabilities	30	**14,087,950**	12,481,123
Secured bank loans – due after one year	26	**403,825,905**	308,835,490
		417,913,855	321,316,613
Net assets		**1,838,443,217**	1,402,999,365
Capital and reserves			
Share capital	28	**153,881,261**	153,881,261
Reserves		**1,684,561,956**	1,249,118,104
		1,838,443,217	1,402,999,365

The consolidated financial statements on pages 18 to 67 were approved and authorised for issue by the Board of Directors on 11 June 2010 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Interests in subsidiaries	18	**620,448,157**	515,826,091
Interests in associates	19	**2,559,758**	559,758
		623,007,915	516,385,849
Current assets			
Trade and other receivables		**108,750**	109,130
Bank balances and cash		**288,875**	283,468
		397,625	392,598
Current liability			
Trade and other payables		**196,180**	187,838
Net current assets		**201,445**	204,760
Non-current liability			
Amounts due to subsidiaries	27	**152,089,854**	109,615,401
Net assets		**471,119,506**	406,975,208
Capital and reserves			
Share capital	28	**153,881,261**	153,881,261
Reserves	29	**317,238,245**	253,093,947
		471,119,506	406,975,208

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Dividend reserve HK$	Accumulated profits HK$	Total HK$
At 1 April 2008	153,906,261	72,818,414	2,662,000	8,310,938	1,442,174,829	1,679,872,442
Cancellation upon repurchase of own shares	(25,000)	–	25,000	–	(158,273)	(158,273)
Total comprehensive expense for the year	–	–	–	–	(266,864,803)	(266,864,803)
Dividends declared	–	–	–	6,155,501	(6,155,501)	–
Dividends paid	–	–	–	(9,850,001)	–	(9,850,001)
At 31 March 2009	153,881,261	72,818,414	2,687,000	4,616,438	1,168,996,252	1,402,999,365
At 1 April 2009	153,881,261	72,818,414	2,687,000	4,616,438	1,168,996,252	1,402,999,365
Total comprehensive income for the year	–	–	–	–	443,137,915	443,137,915
Dividends declared	–	–	–	26,159,814	(26,159,814)	–
Dividends paid	–	–	–	(7,694,063)	–	(7,694,063)
At 31 March 2010	**153,881,261**	**72,818,414**	**2,687,000**	**23,082,189**	**1,585,974,353**	**1,838,443,217**

The accumulated profits of the Group includes approximately HK$210,022,614 (2009: HK$268,550,154) retained by associates of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Notes	2010 HK$	2009 HK$
Operating activities			
Profit (loss) for the year		**443,137,915**	(266,864,803)
Adjustment for:			
Share of results of associates	*19*	**(31,472,460)**	28,857,265
Interest income		**(3,587,005)**	(783,919)
Interest expenses	*9*	**4,915,972**	13,116,676
Tax expenses	*12*	**5,874,199**	2,641,440
(Increase) decrease in fair value of investment properties	*15*	**(359,360,740)**	254,777,515
Loss on disposal of property, plant and equipment		**–**	470,610
Depreciation		**1,218,460**	1,360,678
Amortisation of leasehold land	*17*	**1,035,674**	1,035,674
(Gain) loss on disposal of investment properties		**(12,358,824)**	11,699,957
Unrealised (gain) loss on financial assets held for trading		**(3,328,605)**	466,889
Exchange adjustment on investment properties	*15*	**(669,300)**	1,617,280
Operating cash flows before movements in working capital		**45,405,286**	48,395,262
(Increase) decrease in trade and other receivables		**(245,482)**	2,393,636
Increase (decrease) in trade and other payables		**724,088**	(2,164,167)
Decrease in rental deposits from tenants		**(239,882)**	(416,213)
Cash generated from operations		**45,644,010**	48,208,518
Hong Kong Profits Tax paid		**(4,426,909)**	(2,733,953)
Hong Kong Profits Tax refunded		**–**	85,686
Net cash generated from operating activities		**41,217,101**	45,560,251
Investing activities			
Interest received		**2,259,219**	783,919
Repayment from an associate		**88,000,000**	–
Repayment to an associate		**–**	(24,549,999)
Acquisition of investment properties		**(7,315,790)**	–
Proceeds from disposal of investment properties		**17,351,529**	30,515,268
Purchase of financial assets held for trading		**(91,975,999)**	–
Purchase of property, plant and equipment		**(76,370)**	(152,960)
Net cash generated from investing activities		**8,242,589**	6,596,228

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Notes	2010 HK$	2009 HK$
Financing activities			
Repayment of bank loans		**(1,523,533,227)**	(956,435,939)
Dividends paid		**(7,694,063)**	(9,850,001)
Interest paid		**(8,102,534)**	(13,116,676)
New bank loans raised		**1,517,000,000**	964,000,000
Payment for repurchase of shares		**–**	(158,273)
Net cash used in financing activities		**(22,329,824)**	(15,560,889)
Net increase in cash and cash equivalents		**27,129,866**	36,595,590
Cash and cash equivalents at beginning of the year		**68,593,939**	31,998,349
Cash and cash equivalents at end of the year	*24*	**95,723,805**	68,593,939
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**95,723,805**	5,672,663
Bank deposits maturing within three months		**–**	62,921,276
		95,723,805	68,593,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office of the Company is disclosed in the corporate information section of the annual report.

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

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 18 and 19 respectively.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), that are relevant to its operations and effective for annual periods beginning on or after 1 April 2009.

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adpoters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

In addition, as part of Improvement to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial performance and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Rental income is recognised on a straight-line basis over the respective lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

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

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

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the associates, less any impairment in the value of individual investments. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

Financial instruments

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

Financial assets

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

Effective interest rate method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investments revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from directors) are measured at amortised cost using the effective interest rate method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

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

Effective interest rate method

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

Interest expense is recognised on an effective interest rate basis other than financial liabilities classified as at FVTPL, of which interest expense is included in net gains and losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings, a loan from government, trade and other payables) are subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Leasehold land

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exits, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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

Retirement benefits scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

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

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

(A) Depreciation

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

(B) Allowance for bad and doubtful debts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (Continued)

(C) Fair value of investment properties

Investment properties are carried in the statement of financial position at 31 March 2010 at their fair value of HK$1,792,882,650 (2009: HK$1,430,529,525). The fair value was based on a valuation of these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

5. TURNOVER

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

	2010	2009
	HK$	*HK$*
Property rental income	**66,145,136**	65,907,707

6. OPERATING SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

For property investment, the segment represents the operations of property investment and property leasing. Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rentals (including gross rent and property expenses), valuations gains/losses, profit/(loss) on disposal of investment property and share of profit from the associates. The individual properties with similar economic characteristics are aggregated into segments for presentation purposes.

For treasury investment, the segment represents the operations of investing internal resources. Financial information is provided to the Board on a company basis. The information provided include the investments in financial assets held for trading, bank balances and fair value change in financial assets held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. OPERATING SEGMENTS (Continued)

Business information

2010

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Turnover	66,145,136	–	66,145,136
Property expenses	(2,750,562)	–	(2,750,562)
Gross profit	63,394,574	–	63,394,574
Unrealised gain on financial assets held for trading	–	3,328,605	3,328,605
Interest income	5,423	3,581,582	3,587,005
Other operating income	760,427	139,500	899,927
Increase in fair value of investment properties	359,360,740	–	359,360,740
Gain on disposal of investment properties	12,358,824	–	12,358,824
Administrative expenses	(20,452,003)	(22,046)	(20,474,049)
Profit from operations	415,427,985	7,027,641	422,455,626
Finance costs	(4,915,972)	–	(4,915,972)
Share of results of associates	31,472,460	–	31,472,460
Profit before taxation	441,984,473	7,027,641	449,012,114
Taxation	(5,874,199)	–	(5,874,199)
Profit for the year	436,110,274	7,027,641	443,137,915

2010

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Segment assets	2,184,800,506	105,902,085	2,290,702,591
Segment liabilities	(452,255,863)	(3,511)	(452,259,374)
Net assets	1,732,544,643	105,898,574	1,838,443,217
Other segments information:			
Depreciation and amortisation	2,254,134	–	2,254,134
Addition to investment properties	7,315,790	–	7,315,790
Addition to property, plant and equipment	152,960	–	152,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. OPERATING SEGMENTS (Continued)

Business information (Continued)

2009

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Turnover	65,907,707	–	65,907,707
Property expenses	(2,456,830)	–	(2,456,830)
Gross profit	63,450,877	–	63,450,877
Unrealised loss on financial assets held for trading	–	(466,889)	(466,889)
Interest income	70,553	713,366	783,919
Other operating expense	(1,189,560)	–	(1,189,560)
Decrease in fair value of investment properties	(254,777,515)	–	(254,777,515)
Loss on disposal of investment properties	(11,699,957)	–	(11,699,957)
Administrative expenses	(18,340,305)	(9,992)	(18,350,297)
(Loss) profit from operations	(222,485,907)	236,485	(222,249,422)
Finance costs	(13,116,676)	–	(13,116,676)
Share of results of associates	(28,857,265)	–	(28,857,265)
(Loss) profit before taxation	(264,459,848)	236,485	(264,223,363)
Taxation	(2,641,440)	–	(2,641,440)
(Loss) profit for the year	(267,101,288)	236,485	(266,864,803)

2009

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Segment assets	1,849,960,072	12,902,255	1,862,862,327
Segment liabilities	(459,862,962)	–	(459,862,962)
Net assets	1,390,097,110	12,902,255	1,402,999,365

Other segments information:

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Depreciation and amortisation	2,396,352	–	2,396,352
Addition to investment properties	–	–	–
Addition to property, plant and equipment	76,370	–	76,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

6. OPERATING SEGMENTS (Continued)

Geographical information

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

Information on major customers

Revenue is derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Group's turnover. Accordingly, an analysis of customers is not presented.

7. INTEREST INCOME

	2010	2009
	HK$	*HK$*
Interest income from bank deposits and balances	**5,470**	71,611
Interest income from financial assets held for trading	**2,989,561**	177,938
Interest income from loans and receivables	**591,974**	534,370
	3,587,005	783,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

8. PROFIT (LOSS) FROM OPERATIONS

	2010 HK$	2009 HK$
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	**290,000**	290,000
Depreciation	**1,218,460**	1,360,678
Amortisation of leasehold land	**1,035,674**	1,035,674
Exchange loss	**–**	836,386
Staff costs (including Directors' remuneration)	**10,890,148**	9,106,436
Mandatory provident fund contributions	**106,286**	97,334
Total staff costs	**10,996,434**	9,203,770
and after crediting:		
Exchange gain	**421,323**	–
Gross rental income from investment properties	**66,145,136**	65,907,707
Less:		
Direct operating expenses from investment properties that generated rental income	**(2,384,200)**	(2,108,357)
Direct operating expenses from investment properties that did not generate rental income	**(366,362)**	(348,473)
Net rental income	**63,394,574**	63,450,877

9. FINANCE COSTS

	2010 HK$	2009 HK$
Interest on bank borrowings:		
wholly repayable within five years	**4,404,550**	12,741,322
not wholly repayable within five years	**511,422**	375,354
	4,915,972	13,116,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2009: six) directors were as follows:

2010

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Chan Hoi Sow *(Note 1)*	**–**	**8,042,200**	**–**	**8,042,200**
Chan Yan Tin, Andrew	**–**	**1,583,200**	**12,000**	**1,595,200**
Chan Siu Keung, Leonard	**–**	**1,057,320**	**12,000**	**1,069,320**
Chan Kwok Wai	**60,000**	**–**	**–**	**60,000**
Tse Lai Han, Henry	**60,000**	**–**	**–**	**60,000**
Leung Kui King, Donald	**60,000**	**–**	**–**	**60,000**
	180,000	**10,682,720**	**24,000**	**10,886,720**

2009

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

Note:

1. The amount includes rateable value of HK$2,878,920 (2009: HK$2,764,920), being rent-free accommodation provided to Chan Hoi Sow by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2009: three) were Directors of the Company whose emoluments were included in note 10. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010	2009
	HK$	*HK$*
Salaries and other benefits	**1,033,560**	1,006,500
Mandatory provident fund contributions	**24,000**	24,000
	1,057,560	1,030,500

The aggregate emoluments of each of the remaining two (2009: two) highest paid individuals during the years ended 31 March 2010 and 31 March 2009 were within the HK$1,000,000 band.

During the years ended 31 March 2010 and 31 March 2009, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

	2010	2009
	HK$	*HK$*
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**4,163,401**	3,446,847
Over provision in previous years	**(100,634)**	(148,391)
	4,062,767	3,298,456
Other jurisdiction	**204,605**	–
	4,267,372	3,298,456
Deferred tax expenses (credit) *(Note 30)*		
Current year	**1,609,283**	1,510,257
Over provision in previous years	**(2,456)**	(1,502,371)
Attributable to change in tax rate	**–**	(664,902)
	1,606,827	(657,016)
	5,874,199	2,641,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. TAXATION (Continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Details of the potential deferred tax not provided for in the year are set out in note 30.

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

	2010	2009
	HK$	*HK$*
Profit (loss) before taxation	**449,012,114**	(264,223,363)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**74,086,997**	(43,596,855)
Tax effect of share of results of associates	**(5,192,956)**	4,761,449
Tax effect of expenses not deductible for tax purpose	**3,159,995**	44,422,780
Tax effect of income not taxable for tax purpose	**(65,458,278)**	(225,273)
Tax effect of deductible temporary differences not recognised	**13,015**	23,235
Tax effect of tax losses not recognised	**76,831**	81,444
Over provision in respect of prior year	**(103,087)**	(1,650,762)
Tax effect of tax reduction	**–**	(664,902)
Utilisation of tax losses previously not recognised	**(885,266)**	(547,224)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**176,948**	37,548
Tax expenses for the year	**5,874,199**	2,641,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

13. DIVIDENDS

	2010	2009
	HK$	*HK$*
Interim, paid – HK1.0 cents per share (2009: HK0.5 cents per share)	**3,077,625**	1,539,063
Final, proposed – HK2.5 cents per share (2009: HK1.5 cents per share)	**7,694,063**	4,616,438
Special, proposed – HK5.0 cents per share (2009: HK$Nil)	**15,388,126**	–
	26,159,814	6,155,501

The final dividend of HK2.5 cents per share (2009: HK1.5 cents per share) and the special dividend of HK5.0 cents per share (2009: HK$Nil) have been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

14. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on the profit for the year of HK$443,137,915 (2009: loss of HK$266,864,803) and on weighted average number of 307,762,522 (2009: 307,793,755) ordinary shares in issue during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

15. INVESTMENT PROPERTIES

	The Group	
	2010	2009
	HK$	*HK$*
VALUATION		
At 1 April	**1,430,529,525**	1,729,139,545
Exchange adjustments	**669,300**	(1,617,280)
Additions	**7,315,790**	–
Disposals	**(4,992,705)**	(42,215,225)
Increase (decrease) in fair value of investment properties recognised in the statement of comprehensive income	**359,360,740**	(254,777,515)
At 31 March	**1,792,882,650**	1,430,529,525

The investment properties of the Group were revalued at 31 March 2010 on an open market value existing use basis by Jones Lang LaSalle Limited and Johnston, Ross & Cheng Ltd., independent valuers. The surplus arising on revaluation has been credited to consolidated statement of comprehensive income.

The carrying amount of investment properties shown above comprises:

	2010	2009
	HK$	*HK$*
Properties in Hong Kong		
Medium-term lease	**808,600,000**	663,500,000
Long-term lease	**979,900,000**	760,400,000
Properties outside Hong Kong		
Freehold	**4,382,650**	6,629,525
	1,792,882,650	1,430,529,525

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong	Furniture and office equipment	Leasehold improvement	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
COST					
At 1 April 2008	8,204,638	1,817,012	3,109,330	6,249,817	19,380,797
Additions	–	152,960	–	–	152,960
Disposals	–	(141,775)	(610,844)	–	(752,619)
At 31 March 2009	8,204,638	1,828,197	2,498,486	6,249,817	18,781,138
Additions	–	31,000	45,370	–	76,370
At 31 March 2010	**8,204,638**	**1,859,197**	**2,543,856**	**6,249,817**	**18,857,508**
ACCUMULATED DEPRECIATION					
At 1 April 2008	2,222,260	994,600	1,382,124	5,059,274	9,658,258
Provided for the year	328,185	261,256	226,710	544,527	1,360,678
Disposals	–	(86,687)	(195,322)	–	(282,009)
At 31 March 2009	2,550,445	1,169,169	1,413,512	5,603,801	10,736,927
Provided for the year	328,185	222,050	131,525	536,700	1,218,460
At 31 March 2010	**2,878,630**	**1,391,219**	**1,545,037**	**6,140,501**	**11,955,387**
NET BOOK VALUE					
At 31 March 2010	**5,326,008**	**467,978**	**998,819**	**109,316**	**6,902,121**
At 31 March 2009	5,654,193	659,028	1,084,974	646,016	8,044,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

17. LEASEHOLD LAND

	2010 HK$	2009 HK$
NET BOOK VALUE		
At 1 April	**73,930,870**	74,966,544
Amortisation	**(1,035,674)**	(1,035,674)
At 31 March	**72,895,196**	73,930,870
Current portion	**(1,035,674)**	(1,035,674)
Non-current portion	**71,859,522**	72,895,196

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

18. INTERESTS IN SUBSIDIARIES

	2010 HK$	2009 HK$
Unlisted shares, at cost less impairment loss	**48,528,428**	48,528,428
Amounts due from subsidiaries less allowance	**571,919,729**	467,297,663
	620,448,157	515,826,091

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK$2	Investment holding
Funswin Investment Limited	Hong Kong	HK$2	Securities investment
Grademark Limited	Hong Kong	HK$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK$2	Property investment
High Spark Properties Limited	Hong Kong	HK$20	Property investment
Hokin Investment Limited	The British Virgin Islands/ Hong Kong	US$1	Securities investment
Kamillex Company Limited	Hong Kong	HK$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK$2	Property investment
Kimwui Investments Limited	Hong Kong	HK$2	Inactive
Kinghale Investment Limited	Hong Kong	HK$2	Property investment
Kingunit Company Limited	Hong Kong	HK$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US$1	Property investment
Longo Investment Company Limited	Hong Kong	HK$2	Property investment
Pomeroy Company Limited	Hong Kong	HK$2	Property investment
Spark View Limited	Hong Kong	HK$20	Property investment
Strongfort Company Limited	Hong Kong	HK$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK$2	Property investment
Tern China Investments Limited	Hong Kong	HK$2	Inactive
Tern Real Estate Agency Limited	Hong Kong	HK$2	Inactive
Zepersing Limited	Hong Kong	HK$2	Property investment

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

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

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Unlisted shares, at cost	**–**	–	**32**	32
Share of net assets	**210,022,646**	268,550,186	**–**	–
Amounts due from an associate	**2,559,726**	559,726	**2,559,726**	559,726
	212,582,372	269,109,912	**2,559,758**	559,758

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

Details of the Group's associates at 31 March 2010 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

19. INTERESTS IN ASSOCIATES (Continued)

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

WIN EASY DEVELOPMENT LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
	HK$	*HK$*
Turnover	**24,908,499**	26,731,477
Property expenses	**(164,844)**	(82,678)
Gross profit	**24,743,655**	26,648,799
Unrealised gain (loss) on financial assets held for trading	**4,215,077**	(14,977,170)
Other operating income	**4,737,133**	5,657,658
Increase (decrease) in fair value of investment properties	**53,870,370**	(64,400,000)
Gain on disposal of financial assets held for trading	**489,032**	–
Loss on disposal of investment properties	**(11,816,970)**	–
Administrative expenses	**(10,091,543)**	(7,254,615)
Profit (loss) from operations	**66,146,754**	(54,325,328)
Finance costs	**(887,020)**	(2,330,495)
Profit (loss) before taxation	**65,259,734**	(56,655,823)
Taxation	**(2,314,815)**	(1,058,708)
Profit (loss) for the year	**62,944,919**	(57,714,531)
Other comprehensive income	**–**	–
Total comprehensive income (expense) for the year and attributable to owners of the Company	**62,944,919**	(57,714,531)
Profit (loss) attributable to the Group	**31,472,460**	(28,857,265)
Dividends	**180,000,000**	12,000,000
Dividend paid to the Group	**90,000,000**	6,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

19. INTERESTS IN ASSOCIATES (Continued)

WIN EASY DEVELOPMENT LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2010

	2010	2009
	HK$	*HK$*
Non-current assets		
Investment properties	**437,000,000**	561,900,000
Property, plant and equipment	**–**	–
	437,000,000	561,900,000
Current assets		
Trade and other receivables	**1,719,234**	2,313,760
Financial assets held for trading	**53,752,800**	59,214,480
Time deposits, bank balances and cash	**2,439,569**	3,805,261
	57,911,603	65,333,501
Current liabilities		
Trade and other payables	**4,912,691**	8,833,863
Tax liabilities	**2,037,768**	659,726
Secured bank loans – due within one year	**3,000,000**	–
	9,950,459	9,493,589
Net current assets	**47,961,144**	55,839,912
Non-current liabilities		
Deferred tax liabilities	**7,796,462**	9,520,149
Amounts due to shareholders	**5,119,453**	1,119,453
Secured bank loans – due after one year	**52,000,000**	70,000,000
	64,915,915	80,639,602
Net assets	**420,045,229**	537,100,310
Capital and reserve		
Share capital	**2**	2
Accumulated profits	**420,045,227**	537,100,308
	420,045,229	537,100,310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

20. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	HK$	*HK$*
Club debentures	**2,160,500**	2,160,500

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

21. LOANS AND RECEIVABLES

	2010	2009
	HK$	*HK$*
Listed overseas debt securities	**8,110,381**	8,110,381

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

The Group has made use of the HKAS 39 and HKFRS 7 (Amendments) and reclassified certain financial assets as of 1 July 2008. The Group reclassified debt securities out of category "Financial assets held for trading" into "Loans and receivables". The Group identified assets, eligible under the amendments, for which at 1 July 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The following table summarises the carrying amount reclassified, the carrying amount and fair value as of 31 March 2010 as well as fair value gains and losses that would have been recognised in the consolidated statement of comprehensive income or financial assets held for trading if the financial assets had not been reclassified.

Reclassification	**Into: Loans and receivables**			**Effect if no assets would have been reclassified (1 July 2008 until 31 March 2010)**
	1 July 2008	**31 March 2010**		**Consolidated statement of comprehensive income**
	Carrying amount	**Carrying amount**	**Fair value**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
out of:				
Financial assets held for trading	8,110	8,110	8,302	192

The carrying values of these loans and receivables are stated at their fair values on 1 July 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

22. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK$314,539 (2009: HK$491,869) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

At the end of the reporting period, all the rental receivable had an age of less than 90 days.

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

23. FINANCIAL ASSETS HELD FOR TRADING

	2010	2009
	HK$	*HK$*
Analysis of financial assets held for trading		
Listed overseas debt securities	**95,304,604**	–
Market value	**95,304,604**	–

Market values are determined with reference to quoted market prices in an active market.

24. TIME DEPOSITS, BANK BALANCES AND CASH

	2010	2009
	HK$	*HK$*
Cash and bank balances	**95,723,805**	5,672,663
Time deposits	**–**	62,921,276
	95,723,805	68,593,939

Time deposits, bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate 0.01% per annum (2009: 0.01% to 1.75% per annum) with an original maturity of three months or less.

25. TRADE AND OTHER PAYABLES

Included in trade and other payables is prepaid rental from tenants of HK$1,670,856 (2009: HK$1,228,314).

At the end of the reporting period, all the prepaid rental from tenants had an age of less than 90 day.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

26. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	2010	2009
	HK$	*HK$*
Within one year	**8,718,352**	110,241,994
More than one year but not exceeding two years	**167,748,933**	1,274,028
More than two years but not exceeding five years	**223,438,745**	294,160,381
More than five years	**12,638,227**	13,401,081
	412,544,257	419,077,484
Less: Amounts due within one year	**(8,718,352)**	(110,241,994)
	403,825,905	308,835,490

Nearly all of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 1.25 % over HIBOR (2009: from 0.5% to 1.0% over HIBOR) per annum.

The remaining bank loans are denominated in Canadian dollars with variable interest rate which is the prime rate less 0.5% (2009: prime rate less 0.5%) per annum.

27. AMOUNTS DUE TO SUBSIDIARIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

28. SHARE CAPITAL

	2010		2009	
	Number of ordinary share of HK$0.5 each	**Nominal value**	Number of ordinary share of HK$0.5 each	Nominal value
		HK$		*HK$*
Authorised:				
At 1 April and 31 March	**400,000,000**	**200,000,000**	400,000,000	200,000,000
Issued and fully paid:				
At 1 April	**307,762,522**	**153,881,261**	307,812,522	153,906,261
Cancellation upon repurchase of own shares	**–**	**–**	(50,000)	(25,000)
At 31 March	**307,762,522**	**153,881,261**	307,762,522	153,881,261

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

29. RESERVES

	Share premium *HK$*	Capital redemption reserve *HK$*	Dividend reserve *HK$*	Accumulated profits *HK$*	Total *HK$*
THE COMPANY					
At 1 April 2008	72,818,414	2,662,000	8,310,938	148,741,613	232,532,965
Cancellation upon repurchase of own shares	–	25,000	–	(158,273)	(133,273)
Total comprehensive income for the year	–	–	–	30,544,256	30,544,256
Dividends declared	–	–	6,155,501	(6,155,501)	–
Dividends paid	–	–	(9,850,001)	–	(9,850,001)
At 31 March 2009 and 1 April 2009	72,818,414	2,687,000	4,616,438	172,972,095	253,093,947
Total comprehensive income for the year	–	–	–	71,838,361	71,838,361
Dividends declared	–	–	26,159,814	(26,159,814)	–
Dividends paid	–	–	(7,694,063)	–	(7,694,063)
At 31 March 2010	**72,818,414**	**2,687,000**	**23,082,189**	**218,650,642**	**317,238,245**

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK$241,732,831 (2009: HK$177,588,533) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

30. DEFERRED TAX LIABILITIES

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

	HK$
At 1 April 2008	13,138,139
Deferred tax expenses for the year	1,510,257
Over-provision in prior year	(1,502,371)
Tax effect of change in tax rate	(664,902)
At 31 March 2009 and 1 April 2009	12,481,123
Deferred tax expenses for the year	1,609,283
Over-provision in prior year	(2,456)
At 31 March 2010	**14,087,950**

At the end of the reporting period, the Group has unused tax losses of HK$9,227,648 (2009: HK$13,645,115) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Those tax losses may be carried forward indefinitely.

31. PENSIONS SCHEME

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

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

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff’s relevant income. The maximum relevant income for contribution purpose is HK$20,000 per month. Staff members are entitled to 100% of the Group’s contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group’s cost for the MPF charged to the statement of comprehensive income for the year ended 31 March 2010 amounted to HK$106,286 (2009: HK$97,334). As at 31 March 2010, contributions due in respect of the reporting period had been fully paid over to the MPF.

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For the year ended 31 March 2010

32. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounting to HK$515,248,000 (2009: HK$591,248,000) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK$1,099,003,855 (2009: HK$1,331,841,489). These facilities were utilised to the extent of HK$412,544,257 (2009: HK$419,077,484) as at the end of the reporting period.

33. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Subsidiaries	**–**	–	**412,544,257**	419,077,484
Associates	**27,500,000**	35,000,000	**27,500,000**	35,000,000
	27,500,000	35,000,000	**440,044,257**	454,077,484

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

34. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.7% (2009: 4.6%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

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

	2010	2009
	HK$	*HK$*
Within one year	**51,198,477**	55,193,694
In the second to fifth year inclusive	**38,216,766**	15,725,423
	89,415,243	70,919,117

35. CAPITAL COMMITMENTS

At 31 March 2010, the Group had no capital commitments (2009: Nil).

36. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK$360,000 (2009: HK$360,000) and dividend income of HK$90,000,000 (2009: HK$6,000,000) from an associate of the Company, Win Easy Development Limited.

The directors of the Group considered that they are the key management personnel of the Group and their remunerations are set out in note 10 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk management

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

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

	Assets 2010	**Liabilities 2010**	Assets 2009	Liabilities 2009
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Canadian dollar ("CAD")	**161**	**708**	166	1,843

Sensitivity analysis

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

	Impact of CAD 2010	Impact of CAD 2009
	HK$'000	*HK$'000*
Increase/decrease in profit (loss) for the year	**35**	84

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management

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

	2010			
	On demand	**Within 1 year**	**2-5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade and other payables	**6,840**	**–**	**–**	**6,840**
Rental deposits from tenants	**16,665**	**–**	**–**	**16,665**
Tax liabilities	**2,122**	**–**	**–**	**2,122**
Secured bank loans	**–**	**8,718**	**403,826**	**412,544**
	25,627	**8,718**	**403,826**	**438,171**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Interest rate risk management

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

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

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

Sensitivity analysis

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

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2010 would increase/decrease by HK$3,042,000 (2009: HK$3,370,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market price risk management

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

At 31 March 2010, all loan and receivables and available-for-sale investments held by the Group were stated at costs, therefore, future market price risk would not materially affect the Group.

Fair values

As at 31 March 2010, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets held for trading are included in the statement of financial position at amounts approximating to their fair values.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair values (Continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Financial assets held for trading				
Debt securities	**95,304,604**	**–**	**–**	**95,304,604**

Capital risk management

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

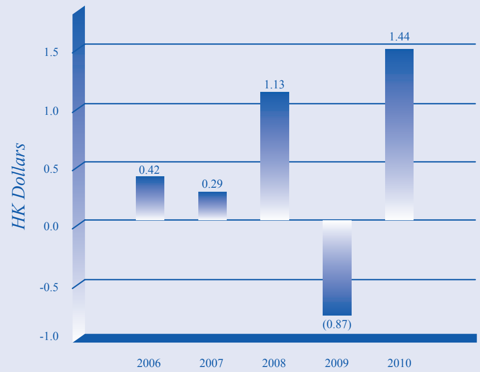
As at 31 March 2010, the Group's strategy remained unchanged as compared to 31 March 2009. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

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

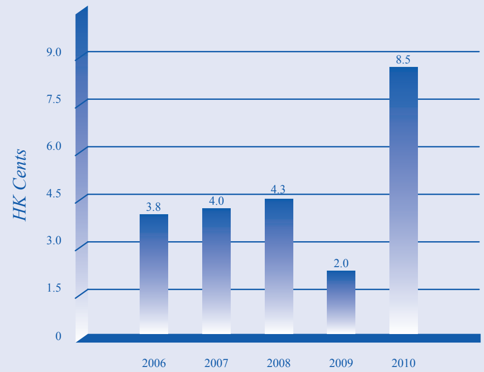
	2010	2009
	HK$'000	*HK$'000*
Bank loans	**412,544**	419,077
Total equity	**1,838,443**	1,402,999
Total debts to total equity ratio	**0.22**	0.30

FIVE-YEAR FINANCIAL SUMMARY

	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	37,884	48,430	60,033	65,908	**66,145**
Profit (loss) for the year	129,880	89,049	348,080	(266,865)	**443,138**
Earnings (loss) per share	HK$0.42	HK$0.29	HK$1.13	(HK$0.87)	**HK$1.44**
Dividends per share	HK3.8 cents	HK4.0 cents	HK4.3 cents	HK2.0 cents	**HK8.5 cents**
Total assets	1,465,199	1,789,835	2,165,035	1,862,862	**2,290,703**
Total liabilities	198,138	445,422	485,163	459,863	**452,260**
Total shareholders' funds	1,267,061	1,344,413	1,679,872	1,402,999	**1,838,443**

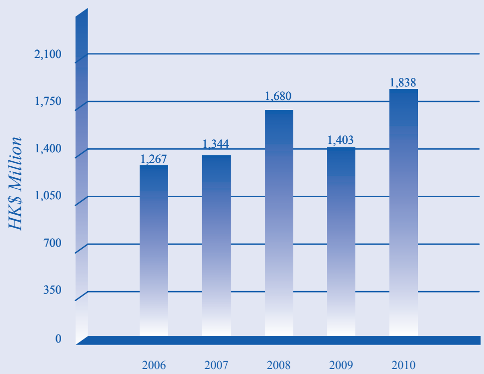


EARNINGS (LOSS) PER SHARE



DIVIDENDS PER SHARE

TOTAL ASSETS



TOTAL SHAREHOLDERS' FUNDS

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of properties held by the Group at 31 March 2010 are as follows:

I. LEASEHOLD LAND AND BUILDING

	Location	Use	Category of lease	Group's interest
	Hong Kong			
1.	The whole of 26th, 27th and 28th floors, Tower I, Tern Centre, 237 Queens Road Central, Hong Kong	Office	Long-term	100%
2.	Flat No. 59 on 15th floor, Tower 9 and car parking spaces nos. 66 and 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Directors' quarters	Long-term	100%
3.	Flat A on 43rd floor and car parking spaces Nos. 44 and 45 on 5th floor, HighCliff, 41D Stubbs Road, Hong Kong	Directors' quarters	Long-term	100%

II. INVESTMENT PROPERTIES

	Location	Use	Category of lease	Group's interest
	Hong Kong			
1.	Shops No. G15 and G16 on ground floor and Shop No. 8 on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2.	Shop No. G17 on ground floor and Shop No. 9A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
3.	Shop No. G21 on ground floor and Shop No. 11A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
4.	Duplex Shop F on ground floor and 1st floor, Burlington House, 90-94C Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
5.	Shops No. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
6.	Shop on ground floor, Wing Lock House, 3 Lock Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
7.	Shop H on ground floor, Carnarvon Mansion, 8-12E Carnarvon Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. INVESTMENT PROPERTIES (Continued)

	Location	Use	Category of lease	Group's interest
Hong Kong				
8.	Shop No. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
9.	The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
10.	The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
11.	The whole of ground floor and 1st, 2nd, 3rd and 5th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
12.	The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
13.	The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
14.	The whole of 6th, 12th and 20th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
15.	The whole of 11th and 18th floors, Unit 2 and Unit 3 of 13th floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
16.	Carpark No. 31 on the podium of Level 2, 37 Repluse Bay Road, Hong Kong	Carpark	Long-term	100%
17.	Shops no. 1, 2 and 6 on ground floor and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
18.	The whole of 9th floor, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

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