Tern Properties Company Limited

STOCK CODE: 277

Annual Report 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Chan Kwok Wai
Chairman
Tse Lai Han, Henry

NOMINATION COMMITTEE

(Established on 1 April 2012)
Chan Kwok Wai
Chairman
Tse Lai Han, Henry
Chan Siu Keung, Leonard

COMPANY SECRETARY

Huen Po Wah

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

PRINCIPAL BANKERS

Wing Lung Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.
Bank of Communications Co., Ltd.

AUDITORS

HLM & Co.

SOLICITORS

Woo, Kwan, Lee & Lo

WEBSITE

www.tern.hk

STOCK CODE

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PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Hoi Sow

Mr. Chan, aged 78, 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 48, 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 55, joined the Group in 1992. He has been an executive director of the Company since October 1994. He is also a member of the nomination committee. Mr. Chan is a member of the Institute of Chartered Accountants of Ontario in Canada. He has extensive experience in finance and investment. Mr. Chan is also an independent non-executive director of China Pharmaceutical Group Limited, a listed public company in Hong Kong.

CHAN Kwok Wai

Mr. Chan, aged 53, has been an independent non-executive director of the Company since September 2004. He is also the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee. 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 extensive 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 47, has been an independent non-executive director of the Company since September 2004. He is also a member of the audit committee, a member of the remuneration committee and a member of the nomination committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and Overseas.

LEUNG Kui King, Donald

Mr. Leung, aged 56, 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 2012, after providing for taxation, amounted to HK$394,743,852. Earnings per share for the year was HK$1.28.

DIVIDENDS

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.2 cents per share for the year ended 31 March 2012. Together with the interim dividend of HK1.8 cents per share that has already been paid, the total dividends for the year will amount to HK5.0 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 8 August 2012, will be payable on Wednesday, 22 August 2012 to the shareholders on the Register of Members of the Company on Tuesday, 14 August 2012.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2012 Annual General Meeting, the Register of Members of the Company will be closed from Monday, 6 August 2012 to Wednesday, 8 August 2012, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to be eligible to attend and vote at the 2012 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 August 2012.

Subject to the approval of the shareholders at the 2012 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Members of the Company on 14 August 2012. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Tuesday, 14 August 2012 to Thursday, 16 August 2012, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 13 August 2012.

BUSINESS REVIEW

Hong Kong

The local economy has remained robust for the past year. Meanwhile the Group's rental income for the year and the market value of the investment properties continued to increase during the year.

The Group's gross rental income for the year was HK$71.6 million, an increase of 5.1% from that of the previous year. In addition, the Group's share of gross rental income from an associate was HK$9.4 million. Therefore the total gross rental income attributable to the Group amounted to HK$81.0 million. During the year, the Group recorded an increase in fair market value of HK$300.4 million for its investment properties. The Group's profit for the year amounted to HK$394.7 million.

During the year, Southgate Commercial Centre situated on 29 Granville Road and The Wave situated on 184 Nathan Road recorded substantial increase in rental income. The Group's commercial shop properties in Tsimshatsui recorded substantial increase in rental rates upon lease renewal. Office properties also recorded upward adjustment in rental rate upon lease renewal.

During the year, the Group sold the ground floor shops situated at 3 Lock Road, Tsimshatsui and Shop H on 8-12E Carnarvon Road for a cash consideration of HK$77.7 million and HK$36.0 million respectively.

The Group continued to invest in debt securities and equity securities during the year. The investments generated interest income and dividend income amounting to HK$14.3 million for the year.

Overseas

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

PROSPECTS

The global economy is expected to remain soft. While the U.S. economy continues to struggle at the low level, those of the European nations remain in doldrums amid the unrelenting sovereign debt crisis and the resulting austerity measures imposed by the authorities. Meanwhile the China economy is expected to expand at a slower pace, prompting fears of the rippling effect on the already weakened global economy. Therefore the local economy is expected to keep its current pace at best for the year ahead.

The price of local residential properties has returned to its high level after a breather. The market is expected to turn mildly soft awaiting government policy on land supply. On the other hand the price and rental value of retail shops in prime locations should remain at the current high level amid demand for retail space from foreign brand names. Meanwhile the rental value of office properties will remain at the current level in tandem with the mild local economy.

The Group's rental income from its investment properties will continue to increase next year amid the higher rental rates for new or renewed leases. The value of the Group's investment properties has continued to increase substantially in the recent years, placing the Group in a low gearing with healthy financial position.

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, 15 June 2012

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 2012 amounted to HK$71.6 million (2011: HK$68.2 million), an increase of 5.1% from last year. During the year, Southgate Commercial Centre situated on 29 Granville Road and The Wave situated on 184 Nathan Road recorded substantial increase in rental income of approximately 10% while the Group's commercial shop properties in Tsimshatsui recorded substantial increase in rental rates upon lease renewal. The Group's share of gross rental income from an associate amounted to HK$9.4 million (2011: HK$8.9 million), an increase of 5.7% from last year. The Group's rental portfolio achieved an occupancy rate of 98% at the end of the year.

During the first quarter of 2012, the Group sold two retail shops in Tsimshatsui for a total cash consideration of HK$113.7 million and recorded a profit of HK$20.6 million for the year. At 31 March 2012, the Group held investment properties amounting to HK$2,357.9 million (2011: HK$2,150.1 million), an increase of HK$207.8 million from last year. The increase was due to the increase in fair value of the Group's property portfolio partially offset by the capital value of two shop properties disposed during the year.

The Group's interest income and dividend income for the year ended 31 March 2012 amounted to HK$14.3 million (2011: HK$11.0 million), an increase of HK$3.3 million from last year due to the increase in investments in debt securities and certificate of deposit. At 31 March 2012, these investments amounted to HK$163.6 million (2011: HK$142.5 million), an increase of HK$21.1 million from last year.

RESULTS

The Group's profit for the year ended 31 March 2012 amounted to HK$394.7 million (2011: HK$412.0 million), a decrease of 4.2% from last year. The decrease was due primarily to the smaller increase in the fair value of investment properties and higher unrealised loss on debt securities investment of the Group upon revaluation at the end of the year partially offset by higher rental income and interest income, and the gain on disposal of investment properties during the year. The Group's share of profit of associates after taxation amounted to HK$34.7 million (2011: HK$39.9 million), a decrease of 13.0% from last year due primarily to the less increase in the fair value of investment properties.

Earnings per share for the year ended 31 March 2012 were HK$1.28 (2011: HK$1.34), a decrease of HK6 cents from last year. The proposed final dividend of HK3.2 cents (2011: HK2.8 cents) per share will make a total distribution of interim dividend and final dividend of HK5.0 cents (2011: HK4.6 cents) per share for the full year, an increase of HK0.4 cent from last year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2012, the Group's net current assets including bank balances and cash of HK$61.9 million amounted to HK$132.9 million (2011: HK$138.5 million), a decrease of HK$5.6 million from last year. At 31 March 2012, the Group's banking facilities amounting to HK$502.2 million (2011: HK$616.7 million) were fully secured by its investment properties, leasehold land and buildings and financial assets held for trading with an aggregate carrying value amounting to HK$1,527.8 million (2011: HK$1,500.8 million). At 31 March 2012, these facilities were utilised to the extent of HK$305.8 million (2011: HK$396.9 million).

At 31 March 2012, the total amount of outstanding bank borrowings net of bank balances and cash were HK$243.9 million (2011: HK$364.6 million), a decrease of HK$120.7 million from last year. The decrease was due to the use of proceeds from the sale of investment properties to repay bank loans during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was at 9.4% (2011: 16.4%).

Of the total bank loans at 31 March 2012, HK$67.5 million or 22.1% were repayable within one year. HK$60.8 million or 19.9% were repayable after one year but within two years. HK$167.6 million or 54.8% were repayable after two years but within five years. HK$9.9 million or 3.2% were repayable after five years.

The Group's finance costs for the year ended 31 March 2012 were HK$5.5 million (2011: HK$4.4 million), an increase of 22.9% from last year. The increase was due to higher average interest margin paid to the banks during the year.

SHAREHOLDERS' FUNDS

At 31 March 2012, the Group's shareholders' funds amounted to HK$2,602.4 million (2011: HK$2,221.8 million), an increase of 17.1% from last year. The net asset value per share was HK$8.46 (2011: HK$7.22). 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 upon revaluation at the end of the year.

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 2012, the total number of staff of the Group was 15 (2011: 15). The total staff costs including Directors' remuneration amounted to HK$12.8 million (2011: HK$12.0 million).

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the 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 2012, 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 policies and practices of the Company and monitor the compliance with the Code to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board comprises six members, three of which are Executive Directors, namely Mr. Chan Hoi Sow as 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 2012. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-executive Directors provide their professional advices to the Group whenever necessary.

The board is responsible to review and monitor the Group's policies and practices on compliance with the legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management.

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

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.

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 2011. 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 New Articles of Association of the Company.

AUDIT COMMITTEE

The Audit Committee has been established since March 2005. It comprises three Independent Non-executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald. Mr. Chan Kwok Wai has extensive experience in finance and accounting industry with appropriate professional accounting qualification. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Audit Committee has adopted specific written terms of reference which are posted on the website of the Company. The principal duties of the Audit Committee are:

(a) to make recommendations to the board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and to discuss with the external auditors the nature and scope of the audit and reporting obligations;

(c) to monitor the integrity of the Company's financial statements, annual report and accounts, and interim report, and to review significant financial reporting judgments contained in them. In reviewing these reports, the Committee will focus particularly on:

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit;

   (iv) the going concern assumptions and qualifications;

   (v) compliance with accounting standards; and

   (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(d) to review the Company's financial controls, internal controls and risk management systems;

(e) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditors may wish to discuss;

(f) to review the external auditors' management letter and management's response;

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

(h) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2012. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2011 and for the six months ended 30 September 2011 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 2012 with the Directors.

To comply with the recent amendments to the Listing Rules, the Board has approved the adoption of the revised terms of reference of Audit Committee with effect from 1 April 2012.

REMUNERATION COMMITTEE

The Remuneration Committee has been established since March 2005. It 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 is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Remuneration Committee has adopted specific written terms of reference which are posted on the website of the Company. The principal duties of the Remuneration Committee are:

(a) to make recommendations to the board on the Company's remuneration policy and structure for all directors and senior management;

(b) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;

(c) to make recommendations to the board on the remuneration of non-executive directors;

(d) to ensure that no director is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2012. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of the report.

The Remuneration Committee reviewed the remuneration policy of the Company for the year ended 31 March 2012, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages for all the Directors and senior management to the Board.

To comply with the recent amendments to the Listing Rules, the Board has approved the adoption of the revised terms of reference of Remuneration Committee with effect from 1 April 2012.

NOMINATION COMMITTEE

The Company has not established a nomination committee before 1 April 2012. According to the New 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 addition to the Board.

The Board neither nominated nor appointed any new director during the year ended 31 March 2012.

To comply with the recent amendments to the Listing Rules, the Nomination Committee has been established since 1 April 2012. It comprises two Independent Non-executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Mr. Chan Siu Keung, Leonard. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Nomination Committee has adopted specific written terms of reference which are posted on the website of the Company. The principal duties of the Nomination Committee are:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become board members and make recommendations to the board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors;

(d) to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference.

ATTENDANCE OF DIRECTORS AT BOARD AND COMMITTEES 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 2012 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 2012.

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 2012 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditors of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditors' Report on pages 20 and 21.

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 2012 amounted to HK$315,000. The auditors did not provide any non-audit service to the Group during the year.

COMMUNICATION WITH SHAREHOLDERS

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

At the 2011 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditors, general mandates respectively authorising the Directors to repurchase shares or to issue shares of the Company 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 address enquiries raised by shareholders and ensure effective communication with shareholders.

SHAREHOLDER RIGHTS

Under the New Articles of the Association of the Company and Hong Kong Companies Ordinance, shareholders holding not less than 5% of the paid up capital of the Company ("Petitioning Shareholders") may convene an extraordinary general meeting by requisition stating the objects of the meeting, and deposit the signed requisition at the registered office of the Company. The Petitioning Shareholders may also requisition for the circulation of resolutions to be moved at a general meeting together with the statements regarding the resolution proposed by depositing the relevant documents at the registered office of the Company.

Pursuant to article 107 of the New Articles of the Association of the Company, a shareholder may propose a person other than a retiring Director of the Company for election as a Director of the Company at the general meeting by lodging a written notice of nomination together with the written notice of consent of the nominated person at the registered office of the Company provided that the minimum length of the period, during which such written notices are given, shall be at least 7 days and that the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting. The procedures for shareholders to propose a person for election as a director are posted on the website of the Company.

The shareholders can submit a written requisition to move a resolution at an annual general meeting pursuant to Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) if they:

(a) represent not less than one-fortieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the annual general meeting; or

(b) are no less than 50 shareholders holding the shares of the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must:

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the annual general meeting;

(b) contain the signature of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the registered office of the Company for the attention of the Company Secretary not less than 6 weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the annual general meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the expenses of the Company in serving the notice of the resolution and circulating the statement given by the requisitionists to all the shareholders in accordance with the requirements under the applicable laws and rules.

INVESTOR RELATIONS

There was no significant change in the Memorandum of Association and New Articles of Association of the Company during the year ended 31 March 2012.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2012.

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 financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 22.

An interim dividend of HK1.8 cents per share amounting to HK$5,539,653 was paid on 22 December 2011. The Directors now recommend the payment of a final dividend of HK3.2 cents per share to be paid to the shareholders on the Register of Members on 14 August 2012 amounting to HK$9,848,273.

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$300,377,900.

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 financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2012 are set out on pages 77 to 78.

SHARE CAPITAL

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

DIRECTORS

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

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

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

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

Pursuant to Article 103 of the Articles of Association, Mr. Chan Hoi Sow and Mr. Chan Yan Tin, Andrew shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2012, 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	173,564,896	56.40
	Interest of Controlled Corporation *(Note)*	Corporate Interest	171,528,896		
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 145,706,000 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 171,528,896 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 2012 or had been granted or exercised any such right during the year.

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 2012, 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	173,564,896	173,564,896	56.40
Noranger Company Limited	Beneficial Owner *(Note 2)*	Corporate Interest	145,706,000	145,706,000	47.34
Beyers Investments Limited	Interest of Controlled Corporation *(Note 2)*	Corporate Interest	145,706,000	145,706,000	47.34
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 145,706,000 shares relate to the same block of shares in the Company. These shares are held by Noranger Company Limited which is wholly owned by Beyers Investments Limited which in turn is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".

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

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

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

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2012, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company purchased a total of 4,000 ordinary shares of HK$0.5 each on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$13,200. All of the purchased shares were cancelled.

Month of purchase	**Total number of ordinary shares purchased**	**Highest Price paid per share**	**Lowest Price paid per share**	**Aggregate Consideration Paid**
		HK$	*HK$*	*HK$*
April 2011	4,000	3.30	3.30	13,200

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

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

PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 15 June 2012

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

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

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 75, which comprise the consolidated statement of financial position as at 31 March 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 as at 31 March 2012, and of its profits 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, 15 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK$	2011 HK$
Turnover	5	**71,645,424**	68,199,866
Property expenses		**(2,363,762)**	(2,118,044)
Gross profit		**69,281,662**	66,081,822
Realised (loss) gain on financial assets held for trading		**(3,200,011)**	251,804
Unrealised loss on financial assets held for trading		**(6,862,840)**	(1,133,168)
Dividend income		**893,865**	590,921
Interest income	7	**13,413,871**	10,449,475
Other operating income		**30,947**	557,086
Increase in fair value of investment properties	15	**300,377,900**	328,064,470
Gain on disposal of investment properties		**20,567,390**	–
Administrative expenses		**(22,339,703)**	(21,910,495)
Profit from operations	8	**372,163,081**	382,951,915
Finance costs	9	**(5,462,660)**	(4,445,832)
Share of results of associates	19	**34,692,688**	39,862,381
Profit before taxation		**401,393,109**	418,368,464
Taxation	12	**(6,649,257)**	(6,412,672)
Profit and total comprehensive income for the year and attributable to owners of the Company		**394,743,852**	411,955,792
Dividends	13	**15,387,926**	14,157,076
Earnings per share			
Basic and diluted	14	**HK$1.28**	HK$1.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	**2012** **HK$**	2011 *HK$*
Non-current assets			
Investment properties	*15*	**2,357,874,000**	2,150,124,720
Property, plant and equipment	*16*	**6,268,792**	7,263,929
Leasehold land	*17*	**69,788,174**	70,823,848
Interests in associates	*19*	**279,981,882**	248,244,753
Available-for-sale investments	*20*	**2,160,500**	2,160,500
Loans and receivables	*21*	**8,110,381**	8,110,381
Deferred rental income		**228,003**	354,632
		2,724,411,732	2,487,082,763
Current assets			
Trade and other receivables	*22*	**11,283,991**	6,570,442
Financial assets held for trading	*23*	**155,478,240**	134,348,843
Leasehold land – current portion	*17*	**1,035,674**	1,035,674
Deferred rental income – current portion		**597,418**	516,997
Tax recoverable		**821,912**	329,096
Bank balances and cash	*24*	**61,862,747**	32,260,505
		231,079,982	175,061,557
Current liabilities			
Trade and other payables	*25*	**7,425,762**	6,735,071
Rental deposits from tenants		**21,410,588**	18,756,629
Tax liabilities		**1,880,034**	2,330,110
Secured bank loans – due within one year	*26*	**67,460,499**	8,745,872
		98,176,883	36,567,682
Net current assets		**132,903,099**	138,493,875
Non-current liabilities			
Deferred tax liabilities	*30*	**16,638,208**	15,676,609
Secured bank loans – due after one year	*26*	**238,325,994**	388,122,934
		254,964,202	403,799,543
Net assets		**2,602,350,629**	2,221,777,095
Capital and reserves			
Share capital	*28*	**153,879,261**	153,881,261
Reserves		**2,448,471,368**	2,067,895,834
		2,602,350,629	2,221,777,095

The consolidated financial statements on pages 22 to 75 were approved and authorised for issue by the Board of Directors on 15 June 2012 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$	2011 HK$
Non-current assets			
Interests in subsidiaries	18	**633,477,598**	676,013,113
Interests in associates	19	**7,904,199**	3,359,758
		641,381,797	679,372,871
Current assets			
Trade and other receivables		**112,154**	108,750
Bank balances and cash		**1,234,230**	626,068
		1,346,384	734,818
Current liability			
Trade and other payables		**256,962**	251,212
Net current assets		**1,089,422**	483,606
Non-current liability			
Amounts due to subsidiaries	27	**203,946,027**	223,543,821
Net assets		**438,525,192**	456,312,656
Capital and reserves			
Share capital	28	**153,879,261**	153,881,261
Reserves	29	**284,645,931**	302,431,395
		438,525,192	456,312,656

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Share capital	Share premium	Capital redemption reserve	Dividend reserve	Accumulated profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2010	153,881,261	72,818,414	2,687,000	23,082,189	1,585,974,353	1,838,443,217
Total comprehensive income for the year	–	–	–	–	411,955,792	411,955,792
Dividends declared	–	–	–	14,157,076	(14,157,076)	–
Dividends paid	–	–	–	(28,621,914)	–	(28,621,914)
At 31 March 2011 and 1 April 2011	153,881,261	72,818,414	2,687,000	8,617,351	1,983,773,069	2,221,777,095
Cancellation upon repurchase of own shares	(2,000)	–	2,000	–	(13,314)	(13,314)
Total comprehensive income for the year	–	–	–	–	394,743,852	394,743,852
Dividends declared	–	–	–	15,387,926	(15,387,926)	–
Dividends paid	–	–	–	(14,157,004)	–	(14,157,004)
At 31 March 2012	**153,879,261**	**72,818,414**	**2,689,000**	**9,848,273**	**2,363,115,681**	**2,602,350,629**

The accumulated profits of the Group includes approximately HK$272,077,683 (2011: HK$244,884,995) retained by associates of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Notes	2012 HK$	2011 HK$
Operating activities			
Profit for the year		**394,743,852**	411,955,792
Adjustment for:			
Share of results of associates	19	**(34,692,688)**	(39,862,381)
Interest income		**(13,413,871)**	(10,449,475)
Dividend income		**(893,865)**	(590,021)
Interest expenses	9	**5,462,660**	4,445,832
Tax expenses	12	**6,649,257**	6,412,672
Increase in fair value of investment properties	15	**(300,377,900)**	(328,064,470)
Depreciation		**834,248**	847,888
Amortisation of leasehold land	17	**1,035,674**	1,035,674
Gain on disposal of investment properties		**(20,567,390)**	–
Realised loss (gain) on financial assets held for trading		**3,200,011**	(251,804)
Gain on disposal of property, plant and equipment, net		**(3,467)**	(120,000)
Unrealised loss on financial assets held for trading		**6,862,840**	1,133,168
Exchange adjustment on investment properties	15	**128,620**	(221,950)
Operating cash flows before movements in working capital		**48,967,981**	46,270,925
Increase in trade and other receivables		**(1,753,809)**	(1,576,304)
Decrease (increase) in deferred rental income		**46,208**	(871,629)
Increase (decrease) in trade and other payables		**681,414**	(34,408)
Increase in rental deposits from tenants		**2,653,959**	2,091,626
Cash generated from operations		**50,595,753**	45,880,210
Hong Kong Profits Tax paid		**(6,667,945)**	(4,886,710)
Hong Kong Profits Tax refunded		**37,395**	233,936
Net cash generated from operating activities		**43,965,203**	41,227,436
Investing activities			
Interest received		**12,804,131**	9,304,308
Dividend received		**893,865**	590,021
Repayment from an associate		**2,955,559**	4,200,000
Acquisition of investment properties		**–**	(28,955,650)
Deposit paid for acquisition of an investment property	37	**(2,350,000)**	–
Proceeds from disposal of financial assets held for trading		**49,685,378**	70,458,328
Proceeds from disposal of investment properties		**113,067,390**	–
Proceeds from disposal of property, plant and equipment		**304,956**	120,000
Purchase of financial assets held for trading		**(80,877,626)**	(110,383,931)
Purchase of property, plant and equipment		**(140,600)**	(1,209,696)
Net cash generated from (used in) investing activities		**96,343,053**	(55,876,620)

For the year ended 31 March 2012

	Notes	2012 HK$	2011 HK$
Financing activities			
Repurchase of own shares		**(13,314)**	–
Dividends paid		**(14,151,254)**	(28,621,914)
Interest paid		**(5,459,133)**	(4,516,751)
New bank loans raised		**975,684,000**	1,197,000,000
Repayment of bank loans		**(1,066,766,313)**	(1,212,675,451)
Net cash used in financing activities		**(110,706,014)**	(48,814,116)
Net increase (decrease) in cash and cash equivalents		**29,602,242**	(63,463,300)
Cash and cash equivalents at beginning of the year		**32,260,505**	95,723,805
Cash and cash equivalents at end of the year	*24*	**61,862,747**	32,260,505
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**61,862,747**	32,260,505

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")

New and revised HKFRSs applied with no material effects on the consolidated financial statements

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has had no impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

HKAS 24 Related Party Disclosures (as revised in 2009)	HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The application of the revised Standard has had no effect on the consolidated financial statements of the Group.
Amendments to HKAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

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

New and revised HKFRSs applied with no material effects on the consolidated financial statements (Continued)

Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement	The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had any material effect on the Group's consolidated financial statements.
HK (IFRIC)-Int 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of HK (IFRIC)-Int 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to HKFRSs issued in 2010	The application of Improvements to HKFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

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

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

New and revised Standards and Interpretations in issue but not yet effective (Continued)

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

New and revised Standards and Interpretations in issue but not yet effective (Continued)

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have an impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

New and revised Standards and Interpretations in issue but not yet effective (Continued)

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 has not have material effect on the Group's consolidated financial statements because the Group has not operate defined benefit plans for employees.

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 Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

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 Group's right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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 recognised 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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of investment.

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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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 it 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 Financial Instruments: Recognition and Measurement 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 and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 38.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

AFS 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 under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS 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 investments are measured at cost less any identified impairment losses at the end of the reporting period (see the 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. Loans and receivables (including trade and other receivables, time deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

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

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
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, 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, as well as 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 recognised is the difference between the asset's carrying amount and the present value of 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 asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised 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.

Other financial liabilities

Other financial liabilities (including trade and other payables, rental deposits from tenants and secured bank loans) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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 it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. 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 (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property 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 the disposal. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful life, 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%

The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash- generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash- generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land" in the consolidated statement of financial position and is amortised 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 entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognsied as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

Retirement benefits scheme

The retirement benefit costs charged to the 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 indeed 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 UNCERTAINTY

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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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.

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.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2012 at their fair value of HK$2,357,874,000 (2011: HK$2,150,124,720). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 20, 21, 23 and 38 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. TURNOVER

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

	2012	2011
	HK$	*HK$*
Property rental income	**71,645,424**	68,199,866

6. OPERATING SEGMENTS

For management purposes, the Group is currently organised into two operating segments, namely property investment and treasury investment.

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 investment result in debt and equity securities. 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.

6. OPERATING SEGMENTS (Continued)

Business information

2012

	Property investment HK$	Treasury investment HK$	Total HK$
Turnover	71,645,424	–	71,645,424
Property expenses	(2,363,762)	–	(2,363,762)
Gross profit	69,281,662	–	69,281,662
Realised loss on financial assets held for trading	–	(3,200,011)	(3,200,011)
Unrealised loss on financial assets held for trading	–	(6,862,840)	(6,862,840)
Dividend income	–	893,865	893,865
Interest income	18,015	13,395,856	13,413,871
Other operating income	30,947	–	30,947
Increase in fair value of investment properties	300,377,900	–	300,377,900
Gain on disposal of investment properties	20,567,390	–	20,567,390
Administrative expenses	(22,298,471)	(41,232)	(22,339,703)
Profit from operations	367,977,443	4,185,638	372,163,081
Finance costs	(5,380,466)	(82,194)	(5,462,660)
Share of results of associates	34,692,688	–	34,692,688
Profit before taxation	397,289,665	4,103,444	401,393,109
Taxation	(6,649,257)	–	(6,649,257)
Profit for the year	390,640,408	4,103,444	394,743,852

At 31 March 2012

	Property investment HK$	Treasury investment HK$	Total HK$
Segment assets	2,780,409,267	175,082,447	2,955,491,714
Segment liabilities	(328,374,891)	(24,766,194)	(353,141,085)
Net assets	2,452,034,376	150,316,253	2,602,350,629
Other segments information:			
Depreciation and amortisation	1,869,922	–	1,869,922
Addition to investment properties	–	–	–
Addition to property, plant and equipment	140,600	–	140,600

6. OPERATING SEGMENTS (Continued)

Business information (Continued)

2011

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Turnover	68,199,866	–	68,199,866
Property expenses	(2,118,044)	–	(2,118,044)
Gross profit	66,081,822	–	66,081,822
Realised gain on financial assets held for trading	–	251,804	251,804
Unrealised loss on financial assets held for trading	–	(1,133,168)	(1,133,168)
Dividend income	–	590,921	590,921
Interest income	159,853	10,289,622	10,449,475
Other operating income	384,625	172,461	557,086
Increase in fair value of investment properties	328,064,470	–	328,064,470
Administrative expenses	(21,856,363)	(54,132)	(21,910,495)
Profit from operations	372,834,407	10,117,508	382,951,915
Finance costs	(4,445,832)	–	(4,445,832)
Share of results of associates	39,862,381	–	39,862,381
Profit before taxation	408,250,956	10,117,508	418,368,464
Taxation	(6,412,672)	–	(6,412,672)
Profit for the year	401,838,284	10,117,508	411,955,792

At 31 March 2011

	Property investment *HK$*	Treasury investment *HK$*	Total *HK$*
Segment assets	2,512,438,623	149,705,697	2,662,144,320
Segment liabilities	(440,362,469)	(4,756)	(440,367,225)
Net assets	2,072,076,154	149,700,941	2,221,777,095
Other segments information:			
Depreciation and amortisation	1,883,562	–	1,883,562
Addition to investment properties	28,955,650	–	28,955,650
Addition to property, plant and equipment	1,209,696	–	1,209,696

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

Included in revenues arising from rental income of HK$71.6 million (2011: HK$68.2 million) are rental revenues of approximately HK$14.9 million (2011: HK$10.4 million) which arose from the Group's largest tenant.

7. INTEREST INCOME

	2012	2011
	HK$	*HK$*
Interest income from bank deposits and balances	**170,594**	210,847
Interest income from financial assets held for trading	**12,534,573**	9,348,676
Interest income from loans and receivables	**708,704**	889,952
	13,413,871	10,449,475

8. PROFIT FROM OPERATIONS

	2012 HK$	2011 HK$
Profit from operations has been arrived at after charging:		
Auditors' remuneration	**315,000**	290,000
Exchange loss	**116,314**	–
Depreciation	**834,248**	847,888
Amortisation of leasehold land	**1,035,674**	1,035,674
Staff costs (including Directors' remuneration)	**12,693,967**	11,836,772
Mandatory provident fund contributions	**131,340**	114,340
Total staff costs	**12,825,307**	11,951,112
and after crediting:		
Exchange gain	**–**	242,924
Dividend income	**893,865**	590,921
Gross rental income from investment properties	**71,645,424**	68,199,866
Less:		
Direct operating expenses from investment properties that generated rental income	**(1,799,749)**	(1,731,850)
Direct operating expenses from investment properties that did not generate rental income	**(564,013)**	(386,194)
Net rental income	**69,281,662**	66,081,822

9. FINANCE COSTS

	2012 HK$	2011 HK$
Interest on bank borrowings:		
wholly repayable within five years	**5,028,876**	3,978,831
not wholly repayable within five years	**433,784**	467,001
	5,462,660	4,445,832

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2011: six) directors were as follows:

2012

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Chan Hoi Sow *(Note 1)*	**–**	**8,210,256**	**–**	**8,210,256**
Chan Yan Tin, Andrew	**–**	**1,392,070**	**12,000**	**1,404,070**
Chan Siu Keung, Leonard	**–**	**1,111,320**	**12,000**	**1,123,320**
Chan Kwok Wai	**65,000**	**–**	**–**	**65,000**
Tse Lai Han, Henry	**65,000**	**–**	**–**	**65,000**
Leung Kui King, Donald	**65,000**	**–**	**–**	**65,000**
	195,000	**10,713,646**	**24,000**	**10,932,646**

2011

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
Chan Hoi Sow *(Note 1)*	–	8,738,732	–	8,738,732
Chan Yan Tin, Andrew	–	955,720	12,000	967,720
Chan Siu Keung, Leonard	–	1,085,952	12,000	1,097,952
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	10,780,404	24,000	10,984,404

Note:

1. The amount includes rateable value of HK$2,742,756 (2011: HK$2,974,524), being rent-free accommodation provided to Mr. Chan Hoi Sow by the Company.

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2011: three) were Directors of the Company whose emoluments were included in note 10. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012	2011
	HK$	*HK$*
Salaries and other benefits	**1,966,300**	1,491,933
Mandatory provident fund contributions	**24,000**	20,000
	1,990,300	1,511,933

The aggregate emoluments of each of the remaining two (2011: two) highest paid individuals during the years ended 31 March 2012 and 31 March 2011 were within the HK$1,000,000 band.

During the years ended 31 March 2012 and 31 March 2011, 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

	2012	2011
	HK$	*HK$*
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**5,454,009**	4,568,443
Under provision in previous years	**618,686**	102,724
	6,072,695	4,671,167
Other jurisdiction		
(Over) under provision in previous years	**(385,037)**	152,846
	5,687,658	4,824,013
Deferred tax expenses *(note 30)*		
Current year	**1,563,205**	1,821,427
Over provision in previous years	**(601,606)**	(232,768)
	961,599	1,588,659
	6,649,257	6,412,672

12. TAXATION (Continued)

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 before taxation per the consolidated statement of comprehensive income as follows:

	2012 HK$	2011 HK$
Profit before taxation	**401,393,109**	418,368,464
Tax at the Hong Kong Profits Tax rate of 16.5% (2011:16.5%)	**66,229,863**	69,030,800
Tax effect of share of profits of associates	**(5,724,294)**	(6,577,293)
Tax effect of expenses not deductible for tax purpose	**1,362,083**	455,989
Tax effect of income not taxable for tax purpose	**(55,341,340)**	(56,102,105)
Tax effect of deductible temporary differences not recognised	**(601,606)**	–
Tax effect of tax losses not recognised	**634,654**	85,376
Under (over) provision in respect of prior year	**223,686**	(110,244)
Utilisation of tax losses previously not recognised	**–**	(517,415)
Tax effect on tax reduction	**(144,000)**	–
Effect of different tax rates of a subsidiary operating in other jurisdiction	**10,211**	147,564
Tax expenses for the year	**6,649,257**	6,412,672

13. DIVIDENDS

	2012 HK$	2011 HK$
Interim, paid – HK1.8 cents per share (2011: HK1.8 cent per share)	**5,539,653**	5,539,725
Final, proposed – HK3.2 cents per share (2011: HK2.8 cents per share)	**9,848,273**	8,617,351
	15,387,926	14,157,076

The final dividend of HK3.2 cents per share (2011: HK2.8 cents per share) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

14. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK$394,743,852 (2011: HK$411,955,792) and on weighted average number of 307,758,829 (2011: 307,762,522) ordinary shares in issue during the year.

Diluted earnings per share are the same as basic earnings per share for both years, as the Company had no dilutive potential ordinary shares outstanding in either year.

15. INVESTMENT PROPERTIES

	2012	2011
	HK$	*HK$*
VALUATION		
At 1 April	**2,150,124,720**	1,792,882,650
Exchange adjustments	**(128,620)**	221,950
Additions	**–**	28,955,650
Disposals	**(92,500,000)**	–
Increase in fair value of investment properties recognised in the statement of comprehensive income	**300,377,900**	328,064,470
At 31 March	**2,357,874,000**	2,150,124,720

The investment properties of the Group were revalued at 31 March 2012 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:

	2012	2011
	HK$	*HK$*
Properties in Hong Kong		
Medium-term lease	**1,049,000,000**	1,000,300,000
Long-term lease	**1,304,200,000**	1,145,100,000
Properties outside Hong Kong		
Freehold	**4,674,000**	4,724,720
	2,357,874,000	2,150,124,720

All the investment properties of the Group are properties held to earn rentals under operating leases.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	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 2010	8,204,638	1,859,197	2,543,856	6,249,817	18,857,508
Additions	–	111,060	467,916	630,720	1,209,696
Disposals	–	(522,179)	(1,136,803)	(375,722)	(2,034,704)
At 31 March 2011 and 1 April 2011	8,204,638	1,448,078	1,874,969	6,504,815	18,032,500
Additions	–	40,600	100,000	–	140,600
Disposals	–	(111,060)	(247,896)	–	(358,956)
At 31 March 2012	**8,204,638**	**1,377,618**	**1,727,073**	**6,504,815**	**17,814,144**
ACCUMULATED DEPRECIATION					
At 1 April 2010	2,878,630	1,391,219	1,545,037	6,140,501	11,955,387
Provided for the year	328,185	180,611	150,936	188,156	847,888
Eliminated upon disposals	–	(522,179)	(1,136,803)	(375,722)	(2,034,704)
At 31 March 2011 and 1 April 2011	3,206,815	1,049,651	559,170	5,952,935	10,768,571
Provided for the year	328,187	180,789	167,592	157,680	834,248
Eliminated upon disposals	–	(1,851)	(55,616)	–	(57,467)
At 31 March 2012	**3,535,002**	**1,228,589**	**671,146**	**6,110,615**	**11,545,352**
NET BOOK VALUE					
At 31 March 2012	**4,669,636**	**149,029**	**1,055,927**	**394,200**	**6,268,792**
At 31 March 2011	4,997,823	398,427	1,315,799	551,880	7,263,929

17. LEASEHOLD LAND

	THE GROUP	
	2012	2011
	HK$	*HK$*
NET BOOK VALUE		
At 1 April	**71,859,522**	72,895,196
Amortisation	**(1,035,674)**	(1,035,674)
At 31 March	**70,823,848**	71,859,522
Current portion	**(1,035,674)**	(1,035,674)
Non-current portion	**69,788,174**	70,823,848

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

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$	*HK$*
Unlisted shares, at cost less impairment loss	**48,528,428**	48,528,428
Amounts due from subsidiaries less allowance	**584,949,170**	627,484,685
	633,477,598	676,013,113

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.

18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2012 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	
	2012	2011	**2012**	2011
	HK$	*HK$*	***HK$***	*HK$*
Unlisted shares, at cost	**–**	–	**32**	32
Share of net assets	**272,077,715**	244,885,027	**–**	–
Amounts due from an associate	**7,904,167**	3,359,726	**7,904,167**	3,359,726
	279,981,882	248,244,753	**7,904,199**	3,359,758

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 2012 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

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 2012

	2012	2011
	HK$	*HK$*
Turnover	**18,749,678**	17,741,475
Property expenses	**(137,364)**	(27,627)
Gross profit	**18,612,314**	17,713,848
Realised gain on financial assets held for trading	**91,937**	240,624
Unrealised (loss) gain on financial assets held for trading	**(986,707)**	352,464
Other operating income	**3,878,987**	4,031,618
Increase in fair value of investment properties	**59,000,000**	70,400,000
Administrative expenses	**(9,166,206)**	(11,474,428)
Profit from operations	**71,430,325**	81,264,126
Finance costs	**(593,230)**	(601,387)
Profit before taxation	**70,837,095**	80,662,739
Taxation	**(1,451,719)**	(937,976)
Profit and total comprehensive income for the year and attributable to owners of the Company	**69,385,376**	79,724,763
Profit and comprehensive income attributable to the Group	**34,692,688**	39,862,381
Dividends	**15,000,000**	10,000,000
Dividends paid to the Group	**7,500,000**	5,000,000

19. INTERESTS IN ASSOCIATES (Continued)

WIN EASY DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2012

	2012 *HK$*	2011 *HK$*
Non-current assets		
Investment properties	**566,400,000**	507,400,000
Deferred rental income	**7,495**	4,813
	566,407,495	507,404,813
Current assets		
Trade and other receivables	**2,039,650**	2,155,658
Deferred rental income	**21,517**	10,500
Financial assets held for trading	**41,575,285**	46,135,806
Tax recoverable	**28,995**	–
Bank balances and cash	**3,169,289**	2,379,037
	46,834,736	50,681,001
Current liabilities		
Trade and other payables	**725,314**	509,447
Rental deposits from tenants	**6,052,412**	4,410,273
Tax liabilities	**531,280**	113,855
Secured bank loans – due within one year	**3,000,000**	3,000,000
	10,309,006	8,033,575
Net current assets	**36,525,730**	42,647,426
Non-current liabilities		
Deferred tax liabilities	**9,265,758**	8,562,794
Amounts due to shareholders	**12,512,097**	6,719,453
Secured bank loans – due after one year	**37,000,000**	45,000,000
	58,777,855	60,282,247
Net assets	**544,155,370**	489,769,992
Capital and reserve		
Share capital	**2**	2
Accumulated profits	**544,155,368**	489,769,990
	544,155,370	489,769,992

20. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	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

	2012	2011
	HK$	*HK$*
Listed overseas debt securities	**8,110,381**	8,110,381

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

The Group has made use of the HKAS 39 and HKFRS 7 (Amendments) and reclassified certain financial assets as of 1 July 2008. The Group reclassified debt securities out of category "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 2012 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.

				Effect if no assets would have been reclassified (1 July 2008 until 31 March 2012)
	Into: Loans and receivables			**Consolidated**
	1 July 2008	**31 March 2012**		**statement of**
	Carrying	**Carrying**		**comprehensive**
Reclassification	**amount**	**amount**	**Fair value**	**income**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
out of:				
Financial assets held for trading	8,110	8,110	7,810	(300)

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

22. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$	*HK$*
Trade receivables	**308,037**	38,607
Other receivables		
Interest receivables	**3,677,794**	3,068,054
Utilities deposits	**3,950,984**	2,027,871
Deposit paid for acquisition of an investment property	**2,350,000**	–
Prepayments	**969,066**	1,023,692
Others	**28,110**	412,218
	11,283,991	6,570,442

Included in trade receivables are rental receivables with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

The rental receivables had an age of less than 30 days at the end of both reporting periods. No provision has been made for the receivables.

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

23. FINANCIAL ASSETS HELD FOR TRADING

	2012	2011
	HK$	*HK$*
Analysis of financial assets held for trading		
Listed overseas debt securities	**146,995,754**	113,538,216
Listed overseas equity securities	**8,482,486**	8,490,627
Listed local equity securities	**–**	12,320,000
	155,478,240	134,348,843
Market value	**155,478,240**	134,348,843

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

24. BANK BALANCES AND CASH

	2012 HK$	2011 HK$
Bank balances and cash	**61,862,747**	32,260,505

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate from 0.01% to 1.61% per annum (2011: 0.01% to 1.0% per annum) with an original maturity of three months or less.

25. TRADE AND OTHER PAYABLES

	2012 HK$	2011 HK$
Trade payables	**2,281,389**	1,736,959
Other payables	**5,144,373**	4,998,112
	7,425,762	6,735,071

Included in trade payables is prepaid rental from tenants. The prepaid rental from tenants had an age of less than 30 days at the end of both reporting periods.

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

26. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	2012 HK$	2011 HK$
Within one year	**67,460,499**	8,745,872
More than one year but not exceeding two years	**60,809,031**	212,777,627
More than two years but not exceeding five years	**167,630,825**	164,031,692
More than five years	**9,886,138**	11,313,615
	305,786,493	396,868,806
Less: Amounts due within one year	**(67,460,499)**	(8,745,872)
	238,325,994	388,122,934

Nearly all of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 1.95 % over HIBOR (2011: from 0.5% to 1.25% over HIBOR) per annum.

The remaining bank loans are denominated in Canadian dollars with variable interest rate which is the prime rate plus 1% (2011: prime rate plus 1%) 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.

28. SHARE CAPITAL

	2012		2011	
	Number of ordinary shares 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**	307,762,522	153,881,261
Cancellation upon repurchase of own shares	**(4,000)**	**(2,000)**	–	–
At 31 March	**307,758,522**	**153,879,261**	307,762,522	153,881,261

On 28 April 2011, 4,000 ordinary shares repurchased in the Stock Exchange were cancelled. The nominal value of HK$2,000 of all the shares cancelled during the year was credited to capital redemption reserve and full consideration of HK$13,314 was deducted from the Company's accumulated profits. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

29. RESERVES

	Share premium HK$	Capital redemption reserve HK$	Dividend reserve HK$	Accumulated profits HK$	Total HK$
THE COMPANY					
At 1 April 2010	72,818,414	2,687,000	23,082,189	218,650,642	317,238,245
Total comprehensive income for the year	–	–	–	13,815,064	13,815,064
Dividends declared	–	–	14,157,076	(14,157,076)	–
Dividends paid	–	–	(28,621,914)	–	(28,621,914)
At 31 March 2011 and 1 April 2011	72,818,414	2,687,000	8,617,351	218,308,630	302,431,395
Cancellation upon repurchase of own shares	–	2,000	–	(13,314)	(11,314)
Total comprehensive expense for the year	–	–	–	(3,617,146)	(3,617,146)
Dividends declared	–	–	15,387,926	(15,387,926)	–
Dividends paid	–	–	(14,157,004)	–	(14,157,004)
At 31 March 2012	**72,818,414**	**2,689,000**	**9,848,273**	**199,290,244**	**284,645,931**

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$209,138,517 (2011: HK$226,925,981) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

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 2010	14,087,950
Deferred tax expenses for the year	1,821,427
Over provision in prior year	(232,768)
At 31 March 2011 and 1 April 2011	15,676,609
Deferred tax expenses for the year *(Note 12)*	1,563,205
Over provision in prior year *(Note 12)*	(601,606)
At 31 March 2012	**16,638,208**

At the end of the reporting period, the Group has unused tax losses of HK$10,455,617 (2011:HK$6,609,228) 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 2012 amounted to HK$131,340 (2011: HK$114,340). As at 31 March 2012, contributions due in respect of the reporting period had been fully paid over to the MPF.

32. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounted to HK$502,248,000 (2011: HK$616,748,000).

The following assets were pledged to secure the banking facilities granted to the Group:

i) Investment properties with a carrying value of HK$1,363,274,000 (2011: HK$1,381,416,681);

ii) Leasehold land and buildings with a carrying value of HK$75,493,488 (2011: HK$60,465,385);

iii) Financial assets held for trading with a carrying value of HK$89,044,611 (2011: HK$58,941,523).

At the end of the reporting period, the Group has utilised banking facilities with an amount of HK$305,786,493 (2011: HK$396,868,806).

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	
	2012	2011	**2012**	2011
	HK$	*HK$*	***HK$***	*HK$*
Subsidiaries	–	–	**305,786,493**	396,868,806
Associates	**20,000,000**	24,000,000	**20,000,000**	24,000,000
	20,000,000	24,000,000	**325,786,493**	420,868,806

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 lessee

	2012	2011
	HK$	*HK$*
Lease payments paid under operating leases in respect of rented properties during the year	–	608,000

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012	2011
	HK$	*HK$*
Within one year	–	816,000

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

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.0% (2011: 3.2%) 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:

	2012	2011
	HK$	*HK$*
Within one year	**54,764,225**	56,474,731
In the second to fifth year inclusive	**39,485,791**	31,504,780
	94,250,016	87,979,511

35. CAPITAL COMMITMENTS

At 31 March 2012, the Group had an outstanding purchase agreement which entailed a capital commitment to complete the purchase of a property of HK$21,150,000 as disclosed in note 37 (2011: Nil).

36. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK$360,000 (2011: HK$360,000) and dividend income of HK$7,500,000 (2011: HK$5,000,000) 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.

37. EVENT AFTER THE REPORTING PERIOD

On 1 March 2012, the Group signed a formal sale and purchase agreement to acquire the entire floor of the office property on the sixteenth floor of Tern Plaza situated at 5 Cameron Road, Tsimshatsui at a cash consideration of HK$23,500,000. The Group paid 10% of the consideration as deposit upon signing the agreement. The acquisition was completed on 12 April 2012.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk management

One subsidiary of the Company has foreign currency income which exposes 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 2012	**Liabilities 2012**	Assets 2011	Liabilities 2011
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Canadian dollar ("CAD")	**345**	**765**	102	949

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency risk management (Continued)

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 for the year is as follows:

	Impact of CAD 2012	Impact of CAD 2011
	HK$'000	*HK$'000*
Increase/decrease in profit for the year	**21**	42

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:

			2012		
	On demand	**Within 1 year**	**2-5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade and other payables	**7,426**	**–**	**–**	**–**	**7,426**
Rental deposits from tenants	**21,411**	**–**	**–**	**–**	**21,411**
Secured bank loans	**–**	**67,460**	**228,440**	**9,886**	**305,786**
	28,837	**67,460**	**228,440**	**9,886**	**334,623**

			2011		
	On demand	Within 1 year	2-5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	6,375	–	–	–	6,375
Rental deposits from tenants	18,757	–	–	–	18,757
Secured bank loans	–	8,746	376,809	11,314	396,869
	25,132	8,746	376,809	11,314	422,001

38. 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 2012 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's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

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 2012 would increase/decrease by approximately HK$2,340,376 (2011: HK$3,533,000).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market price risk management

The Group is exposed to market price risk through its investments in debt and equity 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 and locally listed equity securities. In this regards, the management considers the Group's exposure to market price risk is reduced.

At 31 March 2012, all loans and receivables and available-for-sale investments held by the Group were stated at costs, therefore, future market price risk would not materially affect the Group.

Fair values

As at 31 March 2012, 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 following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. 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:

		2012		
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets held for trading				
Debt securities	**146,996**	**–**	**–**	**146,996**
Equity securities	**8,482**	**–**	**–**	**8,482**
Total	**155,478**	**–**	**–**	**155,478**

There were no transfers between Levels 1 and 2 in the current year.

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 2012, the Group's strategy remained unchanged as compared to 31 March 2011. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

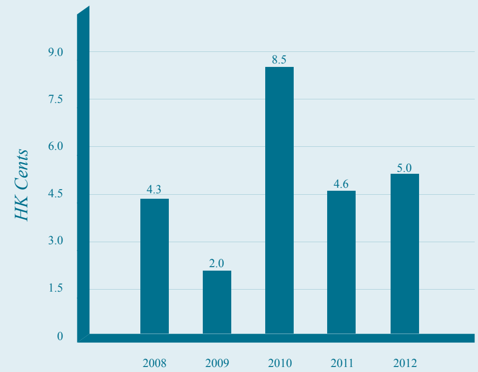
Gearing ratio of the Group at the year end date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Bank loans	**305,786**	396,869
Total equity	**2,602,351**	2,221,777
Total debts to total equity ratio	**0.12**	0.18

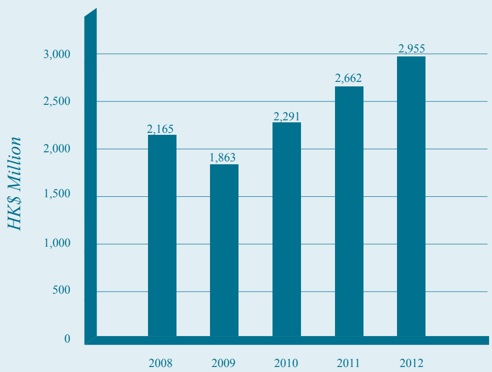
FIVE-YEAR FINANCIAL SUMMARY

	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	**2012** ***HK$'000***
Turnover	60,033	65,908	66,145	68,200	**71,645**
Profit (loss) for the year	348,080	(266,865)	443,138	411,956	**394,744**
Earnings (loss) per share	HK$1.13	(HK$0.87)	HK$1.44	HK$1.34	**HK$1.28**
Dividends per share	HK4.3 cents	HK2.0 cents	HK8.5 cents	HK4.6 cents	**HK5.0 cents**
Total assets	2,165,035	1,862,862	2,290,703	2,662,145	**2,955,492**
Total liabilities	485,163	459,863	452,260	440,368	**353,141**
Total shareholders' funds	1,679,872	1,402,999	1,838,443	2,221,777	**2,602,351**

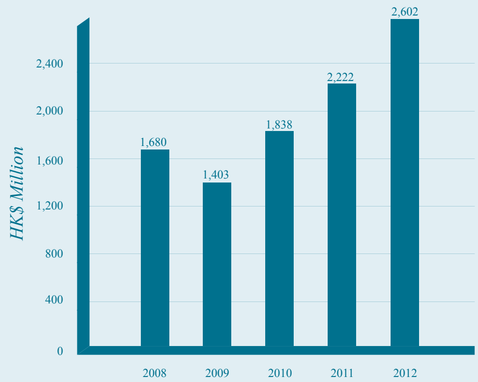
EARNINGS (LOSS) PER SHARE



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 2012 are as follows:

I. LEASEHOLD LAND AND BUILDINGS

	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 No. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%

II. INVESTMENT PROPERTIES (Continued)

	Location	Use	Category of lease	Group's interest
Hong Kong				
7.	Shop No. 5 on ground floor, Lee Fat Building, 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	Commercial	Long-term	100%
8.	The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9.	The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
10.	The whole of ground floor and 1st, 2nd, 3rd and 5th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
11.	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%
12.	The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
13.	The whole of 6th, 12th and 20th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
14.	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%
15.	Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong	Carpark	Long-term	100%
16.	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%
17.	The whole of 9th floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

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