2013
Annual Report

Tern Properties Company Limited

STOCK CODE: 277

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Chan Yan Mei, Mary-ellen
(Appointed on 29 June 2012)

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

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.

AUDITOR

HLM CPA Limited

SOLICITORS

Woo, Kwan, Lee & Lo

WEBSITE

www.tern.hk

STOCK CODE

277

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Hoi Sow

Mr. Chan, aged 79, 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 and Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company.

CHAN Yan Tin, Andrew

Mr. Chan, aged 49, 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. He is also the elder brother of Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company.

CHAN Siu Keung, Leonard

Mr. Chan, aged 56, 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 CSPC Pharmaceutical Group Limited, a listed public company in Hong Kong.

CHAN Yan Mei, Mary-ellen

Ms. Chan, aged 45, has been a non-executive director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has experience in supervisory and management roles. Ms. Chan is a daughter of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company. She is also the younger sister of Mr. Chan Yan Tin, Andrew, an executive director of the Company.

CHAN Kwok Wai

Mr. Chan, aged 54, 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. Mr. Chan 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. He is also an independent non-executive director of Chinese Estates Holdings Limited, National Electronics Holdings Limited, Far East Consortium International Limited and China Investments Holdings Limited, and was an independent non-executive director of Junefield Department Store Group Limited for the period from 31 December 2002 to the conclusion of its annual general meeting held on 29 May 2013, all of which are listed public companies in Hong Kong.

TSE Lai Han, Henry

Mr. Tse, aged 48, 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 57, 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. Mr. Leung is also an independent non-executive director of Sun Hung Kai Properties Limited, a listed public company in Hong Kong.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's audited consolidated profit for the year ended 31 March 2013, after providing for taxation, amounted to HK$702,471,000. Earnings per share for the year was HK$2.28.

DIVIDENDS

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.5 cents per share for the year ended 31 March 2013. Together with the interim dividend of HK2.0 cents per share that has already been paid, the total dividends for the year will amount to HK5.5 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, 7 August 2013, will be payable on Wednesday, 21 August 2013 to the shareholders on the Register of Members of the Company on Tuesday, 13 August 2013.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2013 Annual General Meeting, the Register of Members of the Company will be closed from Monday, 5 August 2013 to Wednesday, 7 August 2013, 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 2013 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, 2 August 2013.

Subject to the approval of the shareholders at the 2013 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 13 August 2013. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Tuesday, 13 August 2013 to Thursday, 15 August 2013, 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, 12 August 2013.

BUSINESS REVIEW

Hong Kong

The local economy continued to be steady for the past year despite uncertain global economic environment. Meanwhile the Group's rental income and the market value of the investment properties increased substantially during the year.

The Group's gross rental income for the year was HK$79.3 million, an increase of 10.7% from last year. In addition, the Group's share of gross rental income from an associate was HK$11.4 million, an increase of 21.7% from last year. Therefore the total gross rental income attributable to the Group amounted to HK$90.7 million. During the year, the Group recorded an increase in fair market value of HK$550.3 million for its investment properties. The Group's profit for the year amounted to HK$702.5 million.

During the year, both Shop F in Burlington House and the ground floor shop in The Bodynits Building recorded substantial increase in rental income. Meanwhile the Group's commercial tower portfolio, Southgate Commercial Centre, The Wave and Tern Centre Tower II also recorded respectable increase in rental income due to the strong office market.

During the year, the rental rate of the Group's commercial shop properties in Tsimshatsui continued to increase upon lease renewal. Several shops with combined floor area have also been pre-leased for the next financial year at a substantially increased rental rate.

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$13.7 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

Although a glimmer of economic recovery has surfaced in the United States, the Euro-zone recession cycle is expected to stretch longer amid the prolonged sovereign debt crisis which will in turn affect the export of China and its economy. Therefore the global economic conditions are expected to remain volatile for the year with negative effect on the local economy.

The price and trading activities of local residential properties have turned downward and is expected to remain so amid the extra restrained measures imposed by the government. The negative effect is spilled over into the trading activities of commercial property market. On the other hand the rental value of the retail and office properties has sustained well and is expected to remain stable in view of the market demand in the commercial properties.

The Group's rental income from its investment properties will continue to increase next year after the pre-lease of several retail shops at a substantially increased rental rate. The value of the Group's investment properties has soared in tandem, placing the Group in a very low gearing with excellent 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, 14 June 2013

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 2013 amounted to HK$79.3 million (2012: HK$71.6 million), an increase of 10.7% from last year. During the year, Shop F in Burlington House, the ground floor shop in The Bodynits Building and the upper ground floor shop in Ka Wing Building recorded over 30% increase in rental income. Meanwhile Southgate Commercial Centre, The Wave and Tern Centre Tower II recorded an increase in rental income in the range of 10% to 20%. All the Group's commercial shop and office properties recorded respectable increase in rental rates upon lease renewal. The Group's share of gross rental income from an associate amounted to HK$11.4 million (2012: HK$9.4 million), an increase of 21.7% from last year. The Group's rental portfolio achieved an average occupancy rate of 98% for the year.

At 31 March 2013, the Group held investment properties amounting to HK$2,932.7 million (2012: HK$2,357.9 million), an increase of HK$574.8 million from last year. The increase was primarily due to the increase in fair value of the Group's property portfolio during the year.

The Group's interest income and dividend income for the year ended 31 March 2013 amounted to HK$13.7 million (2012: HK$14.3 million), a decrease of HK$0.6 million from last year. At 31 March 2013, the securities investments amounted to HK$124.2 million (2012: HK$163.6 million), a decrease of HK$39.4 million from last year.

RESULTS

The Group's profit for the year ended 31 March 2013 amounted to HK$702.5 million (2012: HK$394.7 million), an increase of 78.0% from last year. The increase was due primarily to the increase in rental income, the increase in the fair value of investment properties and the unrealised gain on debt securities investment of the Group upon revaluation at the end of the year. The Group's share of profit of associates after taxation amounted to HK$78.3 million (2012: HK$34.7 million), an increase of 125.7% from last year due primarily to the increase in rental income and the increase in fair value of investment properties.

Earnings per share for the year ended 31 March 2013 were HK$2.28 (2012: HK$1.28), an increase of HK$1.0 from last year. The proposed final dividend of HK3.5 cents (2012: HK3.2 cents) per share will make a total distribution of interim dividend and final dividend of HK5.5 cents (2012: HK5.0 cents) per share for the full year, an increase of HK0.5 cent from last year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2013, the Group's net current assets including bank balances and cash of HK$38.4 million amounted to HK$124.1 million (2012: HK$132.9 million), a decrease of HK$8.8 million from last year. At 31 March 2013, the Group's banking facilities amounting to HK$373.2 million (2012: HK$502.2 million) were fully secured by its investment properties, leasehold land and buildings, financial assets held for trading and bank deposits with an aggregate carrying value amounting to HK$1,113.6 million (2012: HK$1,532.9 million). At 31 March 2013, these facilities were utilised to the extent of HK$197.4 million (2012: HK$305.8 million).

At 31 March 2013, the total amount of outstanding bank borrowings net of bank balances and cash were HK$159.0 million (2012: HK$243.9 million), a decrease of HK$84.9 million from last year. The decrease was due to the use of retained profit and proceeds from the sale of securities investments to repay bank loans during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was at 4.8% (2012: 9.4%).

Of the total bank loans at 31 March 2013, HK$12.9 million or 6.5% were repayable within one year. HK$67.9 million or 34.4% were repayable after one year but within two years. HK$108.2 million or 54.8% were repayable after two years but within five years. HK$8.4 million or 4.3% were repayable after five years.

The Group's finance costs for the year ended 31 March 2013 were HK$4.2 million (2012: HK$5.5 million), a decrease of 23.0% from last year. The decrease was due to the lower level of average bank borrowings during the year.

SHAREHOLDERS' FUNDS

At 31 March 2013, the Group's shareholders' funds amounted to HK$3,288.8 million (2012: HK$2,602.4 million), an increase of 26.4% from last year. The net asset value per share was HK$10.7 (2012: HK$8.5). 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.

CONTINGENT LIABILITIES

Details of contingent liabilities are included in note 33 to the consolidated financial statements of this Annual Report.

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 2013, the total number of staff of the Group was 16 (2012: 16). The total staff costs including Directors' remuneration amounted to HK$14.4 million (2012: HK$12.8 million).

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

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 "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2013, except that the roles of chairman and chief executive 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 seven 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. One member is Non-Executive Director, namely Ms. Chan Yan Mei, Mary-ellen. 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 2013. 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 and Ms. Chan Yan Mei, Mary-ellen, a non-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

Provision A.2.1 of the Code stipulates that the roles of the chairman and the chief executive 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 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 three members 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 Non-executive Director and Independent Non-Executive Directors have been appointed for a period of three years. 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been provided with "A Guide on Directors' Duties" issued by the Companies Registry, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Directors have also been provided with updates on the latest development and amendments in the Listing Rules and the relevant regulatory and statutory requirements.

The Company makes available continuous professional development for all Directors at the expense of the Company to refresh and develop their knowledge and skills. The Directors have participated in the training on corporate governance, current economic and legal developments as follows:

Directors	Reading Regulatory Updates/Other Materials	Attending Seminars/ Conferences/Briefings
Executive Directors		
Chan Hoi Sow *Chairman and Managing Director*	√	–
Chan Yan Tin, Andrew	√	√
Chan Siu Keung, Leonard	√	√
Non-Executive Director		
Chan Yan Mei, Mary-ellen *(Appointed on 29 June 2012)*	√	–
Independent Non-Executive Directors		
Chan Kwok Wai	√	√
Tse Lai Han, Henry	√	–
Leung Kui King, Donald	√	–

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

BOARD COMMITTEES

The Company currently has three board committees (mainly Audit Committee, Remuneration Committee and Nomination Committee) with specific terms of references to oversee particular aspects of the Company's affairs. The Company retains in the Board the function of overseeing corporate governance issues. The Board is responsible for performing the corporate governance duties as set out in the Code.

During the year and up to the date of this report, the corporate governance duties performed by the Board were mainly set out below:

(a) formulated disclosure of inside information policy;

(b) reviewed the corporate governance practices;

(c) reviewed the continuous professional development and training of the directors;

(d) reviewed compliance with the Code and disclosure in the Corporate Governance Report.

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 websites of the Company and the Stock Exchange. 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 auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and to discuss with the external auditor 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 auditor may wish to discuss;

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

(g) to develop and implement policy on engaging an external auditor 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 2013. 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 2012 and for the six months ended 30 September 2012 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 auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2013 with the Directors.

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 websites of the Company and the Stock Exchange. 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. Two meetings were held during the year ended 31 March 2013. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of the report.

During the year ended 31 March 2013, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages for all the Directors and senior management to the Board.

For the year ended 31 March 2013, the remuneration of the members of the senior management by band is set out below:

Remuneration band (HK$)	Number of person
$1,000,001 to $2,000,000	2

Note: The members of the senior management disclosed above refer to those employees other than directors.

NOMINATION COMMITTEE

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 websites of the Company and the Stock Exchange. 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. Two meetings were held during the year ended 31 March 2013. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of the report.

During the year ended 31 March 2013, the Nomination Committee reviewed the structure, size and composition of the board, made recommendations to the board on the selection of individuals nominated for directorships, and assessed the independence of independent non-executive directors.

ATTENDANCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2013 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Chan Hoi Sow *Chairman and Managing Director*	4/4	–	–	–	1/1
Chan Yan Tin, Andrew	4/4	–	–	–	1/1
Chan Siu Keung, Leonard	4/4	2/2	2/2	2/2	1/1
Non-Executive Director					
Chan Yan Mei, Mary-ellen *(Appointed on 29 June 2012)*	3/3	–	–	–	0/1
Independent Non-Executive Directors					
Chan Kwok Wai	4/4	2/2	2/2	2/2	1/1
Tse Lai Han, Henry	4/4	2/2	2/2	2/2	0/1
Leung Kui King, Donald	4/4	2/2	–	–	1/1

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 2013.

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 2013 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 auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 24 and 25.

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.

AUDITOR'S REMUNERATION

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2013 amounted to HK$350,000. The auditor did not provide any non-audit service to the Group during the year.

COMPANY SECRETARY

The Company engages an external service provider, Mr. Huen Po Wah, as its Company Secretary, and the Company Secretary may contact Mr. Chan Siu Keung, Leonard, an Executive Director and the Financial Controller of the Company pursuant to code provision F.1.1 of the Code. Mr. Huen confirmed that he had taken not less than 15 hours' relevant professional training 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 2012 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 auditor, 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 Chairman of the Board and the Chairman of respective committees 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.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange at "www.hkexnews.hk" and the Company at "www.tern.hk" after the relevant shareholders' meetings.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Extraordinary general meetings may be convened by the Board on written requisition of shareholder(s) individually or jointly holding not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company pursuant to Article 66 of the Articles of Association and section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance").

Shareholders should follow and comply with the requirements and procedures as set out in section 113 of the Companies Ordinance, which is summarized as follows:

- The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form, each signed by one or more requisitionists.

- If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

- Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionists by the Company.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders can raise enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company at 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong for the attention of the Company Secretary.

The Company Secretary shall forward the shareholders enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Shareholders are requested to follow section 115A of the Companies Ordinance for including a resolution at an annual general meeting ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may submit a requisition in writing to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong for the attention of the Company secretary not less than 6 weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than 1 week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

(iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

MEMORANDUM AND NEW ARTICLES OF ASSOCIATION

No amendment has been made to the Memorandum and New Articles of Association of the Company during the year ended 31 March 2013.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 26.

An interim dividend of HK2.0 cents per share amounting to HK$6,156,000 was paid on 20 December 2012. The Directors now recommend the payment of a final dividend of HK3.5 cents per share to be paid to the shareholders on the Register of Members on 13 August 2013 amounting to HK$10,771,000.

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$550,257,000.

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

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2013 are set out on pages 87 to 88.

SHARE CAPITAL

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

DIRECTORS

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

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

Non-Executive Director
Ms. Chan Yan Mei, Mary-ellen

Independent Non-Executive Director
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 Siu Keung, Leonard, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald 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 2013, 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:

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
Chan Hoi Sow	Beneficial owner	Personal interest	2,036,000	173,656,896	56.42
	Interest of controlled corporation	Corporate interest *(Note 1)*	25,822,896		
	Founder of a discretionary trust	Other interest *(Notes 1 & 2)*	171,620,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal interest	792,000	172,412,896	56.02
	Beneficiary of a trust	Other interest *(Notes 2 & 3)*	171,620,896		
Chan Siu Keung, Leonard	–	–	–	–	–
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other interest *(Notes 2 & 4)*	171,620,896	171,620,896	55.76
Chan Kwok Wai	–	–	–	–	–
Tse Lai Han, Henry	–	–	–	–	–
Leung Kui King, Donald	–	–	–	–	–

Notes:

1. These 25,822,896 shares are held by Evergrade Investments Limited. The issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members. These 25,822,896 shares are also included in the 171,620,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.

2. The three references to 171,620,896 shares relate to the same block of shares in the Company. The 171,620,896 shares are held as to 145,798,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan Hoi Sow and the beneficiaries of which are Mr. Chan Hoi Sow and his family members. By virtue of the shareholdings as aforementioned, Mr. Chan Hoi Sow is deemed to be interested in 171,620,896 shares indirectly owned by Sow Pin Trust.

3. Mr. Chan Yan Tin, Andrew is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 171,620,896 shares indirectly owned by Sow Pin Trust.

4. Ms. Chan Yan Mei, Mary-ellen is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Mei, Mary-ellen is deemed to be interested in 171,620,896 shares indirectly owned by Sow Pin Trust.

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 2013 or had been granted or exercised any such right during the period.

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 2013, 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	Family interest *(Note 1)*	173,656,896	173,656,896	56.42
HSBC Holdings plc	Interest of controlled corporation	Corporate interest *(Notes 2, 3 & 5)*	171,620,896	171,620,896	55.76
Hang Seng Bank Limited	Interest of controlled corporation	Corporate interest *(Notes 2, 4 & 5)*	171,620,896	171,620,896	55.76
Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	Trustee	Other interest *(Notes 2, 5 & 6)*	171,620,896	171,620,896	55.76
Global Heritage Group Limited	Interest of controlled corporation	Corporate interest *(Notes 2, 5 & 6)*	171,620,896	171,620,896	55.76
Beyers Investments Limited	Interest of controlled corporation	Corporate interest *(Notes 2, 5 & 6)*	171,620,896	171,620,896	55.76
Noranger Company Limited	Beneficial owner	Corporate interest *(Notes 2, 5 & 6)*	145,798,000	145,798,000	47.37
Evergrade Investments Limited	Beneficial owner	Corporate interest *(Notes 2, 5 & 6)*	25,822,896	25,822,896	8.39
Edward Kew	Beneficial owner	Personal interest *(Note 7)*	5,461,200	25,968,494	8.44
	Interest of spouse	Family interest *(Note 7)*	8,856,494		
	Interest of controlled corporation	Corporate interest *(Note 7)*	11,650,800		
Kew Youn Lunn	Beneficial owner	Personal interest *(Note 8)*	2,380,800	25,968,494	8.44
	Interest of spouse	Family interest *(Note 8)*	5,461,200		
	Interest of controlled corporation	Corporate interest *(Note 8)*	18,126,494		

Notes:

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

2. All interests of HSBC Holdings plc, Hang Seng Bank Limited, Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust, Global Heritage Group Limited, Beyers Investments Limited and the aggregate interests of Noranger Company Limited and Evergrade Investments Limited relate to the same block of shares in the Company.

3. HSBC Holdings plc is the holding company of Hang Seng Bank Limited and is deemed to be interested in the shares in which Hang Seng Bank Limited is deemed to be interested through interests of corporations controlled by it as follows:–

Name of controlled corporation	Name of controlling shareholder	Percentage control
HSBC Finance (Netherlands)	HSBC Holdings plc	100.00
HSBC Holdings BV	HSBC Finance (Netherlands)	100.00
HSBC Asia Holdings (UK) Limited	HSBC Holdings BV	100.00
HSBC Asia Holdings BV	HSBC Asia Holdings (UK) Limited	100.00
The Hongkong and Shanghai Banking Corporation Limited	HSBC Asia Holdings BV	100.00
Hang Seng Bank Limited	The Hongkong and Shanghai Banking Corporation Limited	62.14
Hang Seng Bank Trustee International Ltd as trustee of Sow Pin Trust	Hang Seng Bank Limited	100.00
Global Heritage Group Limited	Hang Seng Bank Trustee International Ltd as trustee of Sow Pin Trust	100.00

4. Hang Seng Bank Limited is the holding company of Hang Seng Bank Trustee International Limited and is deemed to be interested in the shares in which Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust is interested through interests of corporations controlled by it as follows:–

Name of controlled corporation	Name of controlling shareholder	Percentage control
Hang Seng Bank Trustee International Ltd as trustee of Sow Pin Trust	Hang Seng Bank Limited	100.00
Global Heritage Group Limited	Hang Seng Bank Trustee International Ltd as trustee of Sow Pin Trust	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

5. Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 6 below through interests of corporation controlled by it as follows:–

Name of controlled corporation	Name of controlling shareholder	Percentage control
Global Heritage Group Limited	Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

6. Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust is interested in 171,620,896 shares which are held as to 145,798,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Beyers Investments Limited and as to 50% by Mr. Chan Hoi Sow. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members as disclosed in the section headed "Directors' Interests".

7. 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.

8. 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 2013, 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 of the Group accounted for 47.1% of total turnover of the Group and the five largest suppliers of the Group accounted for less than 30% of total purchases of the Group. The Directors do not consider any one customer or supplier to be influential to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PUBLIC FLOAT

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

AUDITOR

During the year, Messrs. HLM & Co., who acted as auditor of the Company for the past three years, resigned and Messrs. HLM CPA Limited was appointed as auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Messrs. HLM CPA Limited.

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 14 June 2013

恒健會計師行有限公司
HLM CPA LIMITED
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 26 to 85, which comprise the consolidated and the Company's statements of financial position as at 31 March 2013, 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.

AUDITOR'S 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 auditor's 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 auditor considers 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013, 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 CPA Limited
Certified Public Accountants

Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 14 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	5	**79,277**	71,645
Property expenses		**(1,290)**	(2,363)
Gross profit		**77,987**	69,282
Realised loss on disposal of loans and receivables		**(360)**	–
Realised gain (loss) on disposal of financial assets held for trading		**5,834**	(3,200)
Unrealised gain (loss) on financial assets held for trading		**11,102**	(6,863)
Dividend income		**620**	894
Interest income	7	**13,095**	13,414
Other operating income		**318**	31
Increase in fair value of investment properties	15	**550,257**	300,378
Gain on disposal of investment properties		**–**	20,567
Administrative expenses		**(21,883)**	(22,340)
Profit from operations	8	**636,970**	372,163
Finance costs	9	**(4,207)**	(5,463)
Share of results of associates	19	**78,303**	34,693
Profit before taxation		**711,066**	401,393
Taxation	12	**(8,595)**	(6,649)
Profit and total comprehensive income for the year and attributable to owners of the Company		**702,471**	394,744
Earnings per share			
Basic and diluted	14	**HK$2.28**	HK$1.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	15	**2,932,664**	2,357,874
Property, plant and equipment	16	**13,284**	6,269
Leasehold land	17	**68,752**	69,788
Interests in associates	19	**350,233**	279,982
Available-for-sale investments	20	**2,161**	2,161
Loans and receivables	21	**–**	8,110
Deferred rental income		**660**	228
		3,367,754	2,724,412
Current assets			
Trade and other receivables	22	**7,132**	11,284
Financial assets held for trading	23	**124,163**	155,478
Leasehold land – current portion	17	**1,036**	1,036
Deferred rental income – current portion		**751**	597
Tax recoverable		**123**	822
Bank balances and cash	24	**38,446**	61,863
		171,651	231,080
Current liabilities			
Trade and other payables	25	**5,860**	7,426
Rental deposits from tenants		**26,631**	21,411
Tax liabilities		**2,106**	1,880
Secured bank loans – due within one year	26	**12,910**	67,460
		47,507	98,177
Net current assets		**124,144**	132,903
Non-current liabilities			
Deferred tax liabilities	30	**18,577**	16,638
Secured bank loans – due after one year	26	**184,503**	238,326
		203,080	254,964
Net assets		**3,288,818**	2,602,351
Capital and reserves			
Share capital	28	**153,879**	153,879
Reserves		**3,134,939**	2,448,472
		3,288,818	2,602,351

The consolidated financial statements on pages 26 to 85 were approved and authorised for issue by the Board of Directors on 14 June 2013 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	*18*	**635,003**	633,478
Interests in associates	*19*	**6,852**	7,904
		641,855	641,382
Current assets			
Trade and other receivables		**109**	112
Bank balances and cash		**1,627**	1,234
		1,736	1,346
Current liability			
Trade and other payables		**237**	257
Net current assets		**1,499**	1,089
Non-current liability			
Amounts due to subsidiaries	*27*	**214,201**	203,946
Net assets		**429,153**	438,525
Capital and reserves			
Share capital	*28*	**153,879**	153,879
Reserves	*29*	**275,274**	284,646
		429,153	438,525

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Share capital	Share premium	Capital redemption reserve	Dividend reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2011	153,881	72,818	2,687	8,617	1,983,774	2,221,777
Cancellation upon repurchase of own shares	(2)	–	2	–	(13)	(13)
Total comprehensive income for the year	–	–	–	–	394,744	394,744
Dividends declared	–	–	–	15,388	(15,388)	–
Dividends paid	–	–	–	(14,157)	–	(14,157)
At 31 March 2012 and 1 April 2012	153,879	72,818	2,689	9,848	2,363,117	2,602,351
Total comprehensive income for the year	–	–	–	–	702,471	702,471
Dividends declared	–	–	–	16,927	(16,927)	–
Dividends paid	–	–	–	(16,004)	–	(16,004)
At 31 March 2013	**153,879**	**72,818**	**2,689**	**10,771**	**3,048,661**	**3,288,818**

The accumulated profits of the Group include approximately HK$343,381,000 (2012: HK$272,078,000) retained by associates of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Operating activities			
Profit for the year		**702,471**	394,744
Adjustments for:			
Share of results of associates	*19*	**(78,303)**	(34,693)
Interest income		**(13,095)**	(13,414)
Dividend income		**(620)**	(894)
Interest expenses	*9*	**4,207**	5,463
Tax expenses	*12*	**8,595**	6,649
Increase in fair value of investment properties	*15*	**(550,257)**	(300,378)
Depreciation		**1,239**	834
Amortisation of leasehold land	*17*	**1,036**	1,036
Gain on disposal of investment properties		**–**	(20,567)
Realised loss on disposal of loans and receivables		**360**	–
Realised (gain) loss on disposal of financial assets held for trading		**(5,834)**	3,200
Gain on disposal of property, plant and equipment, net		**–**	(3)
Unrealised (gain) loss on financial assets held for trading		**(11,102)**	6,863
Exchange adjustment on investment properties	*15*	**105**	128
Operating cash flows before movements in working capital		**58,802**	48,968
Decrease (increase) in trade and other receivables		**518**	(1,754)
(Increase) decrease in deferred rental income		**(586)**	46
(Decrease) increase in trade and other payables		**(1,457)**	682
Increase in rental deposits from tenants		**5,220**	2,654
Cash generated from operations		**62,497**	50,596
Profits Tax paid		**(6,084)**	(6,668)
Profits Tax refunded		**353**	37
Net cash generated from operating activities		**56,766**	43,965
Investing activities			
Interest received		**14,379**	12,804
Dividend received		**620**	894
Repayment from an associate		**8,052**	2,956
Acquisition of an investment property		**(22,288)**	–
Deposit paid for acquisition of an investment property		**–**	(2,350)
Proceeds from disposal of loans and receivables		**7,750**	–
Proceeds from disposal of financial assets held for trading		**96,941**	49,685
Proceeds from disposal of investment properties		**–**	113,068
Proceeds from disposal of property, plant and equipment		**–**	305
Purchase of financial assets held for trading		**(48,690)**	(80,878)
Purchase of property, plant and equipment		**(8,254)**	(141)
Net cash generated from investing activities		**48,510**	96,343

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Financing activities			
Repayment of bank loans		**(298,310)**	(1,066,766)
Repurchase of own shares		**–**	(13)
Dividends paid		**(16,004)**	(14,151)
Interest paid		**(4,316)**	(5,460)
New bank loans raised		**189,937**	975,684
Net cash used in financing activities		**(128,693)**	(110,706)
Net (decrease) increase in cash and cash equivalents		**(23,417)**	29,602
Cash and cash equivalents at beginning of the year		**61,863**	32,261
Cash and cash equivalents at end of the year	*24*	**38,446**	61,863
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**38,446**	61,863

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 accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2012, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. 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.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 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 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.

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)

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.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

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 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 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 Fair Value Measurement

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) – Investment Entities

The amendment to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interest in subsidiaries at fair value through profit or loss.

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)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) – Investment Entities *(Continued)*

To qualify as in investment entity, certain criteria have to be met. Specifically, an entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective from annual periods beginning on or after 1 January 2014 with early application permitted. The directors are in the process of assessing the potential impact of the new HKFRSs but are not yet in a position to determine whether the new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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)

HKAS 19 Employee Benefits

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 fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. 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. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the amendments to HKAS 19 will have no effect to the Group's financial statements as the Group does not provide such benefits.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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.

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)

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

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.

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.

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, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Financial assets at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement 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 37.

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.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

AFS financial assets (Continued)

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment 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).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 each 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

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.

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

Classification as debt or equity

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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%

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). 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.

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum 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.

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 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. 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.

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.

Current 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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax *(Continued)*

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities (Continued)

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

Retirement benefits scheme

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

Borrowing costs

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

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

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

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.

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

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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

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 2013 at their fair value of HK$2,932,664,000 (2012: HK$2,357,874,000). 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 37 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.

	2013	2012
	HK$'000	*HK$'000*
Property rental income	**79,277**	71,645

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.

Business information

2013

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Turnover	79,277	–	79,277
Property expenses	(1,290)	–	(1,290)
Gross profit	77,987	–	77,987
Realised loss on disposal of loans and receivables	–	(360)	(360)
Realised gain on disposal of financial assets held for trading	–	5,834	5,834
Unrealised gain on financial assets held for trading	–	11,102	11,102
Dividend income	–	620	620
Interest income	2	13,093	13,095
Other operating income	318	–	318
Increase in fair value of investment properties	550,257	–	550,257
Administrative expenses	(21,809)	(74)	(21,883)
Profit from operations	606,755	30,215	636,970
Finance costs	(4,028)	(179)	(4,207)
Share of results of associates	78,303	–	78,303
Profit before taxation	681,030	30,036	711,066
Taxation	(8,595)	–	(8,595)
Profit for the year	672,435	30,036	702,471

6. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 31 March 2013

	Property investment *HK$'000*	**Treasury investment** *HK$'000*	**Total** *HK$'000*
Segment assets	**3,391,555**	**147,850**	**3,539,405**
Segment liabilities	**(250,584)**	**(3)**	**(250,587)**
Net assets	**3,140,971**	**147,847**	**3,288,818**
Other segments information:			
Depreciation and amortisation	**2,275**	**–**	**2,275**
Addition to investment properties	**24,638**	**–**	**24,638**
Addition to property, plant and equipment	**8,254**	**–**	**8,254**

2012

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Turnover	71,645	–	71,645
Property expenses	(2,363)	–	(2,363)
Gross profit	69,282	–	69,282
Realised loss on disposal of financial assets held for trading	–	(3,200)	(3,200)
Unrealised loss on financial assets held for trading	–	(6,863)	(6,863)
Dividend income	–	894	894
Interest income	18	13,396	13,414
Other operating income	31	–	31
Increase in fair value of investment properties	300,378	–	300,378
Gain on disposal of investment properties	20,567	–	20,567
Administrative expenses	(22,299)	(41)	(22,340)
Profit from operations	367,977	4,186	372,163
Finance costs	(5,381)	(82)	(5,463)
Share of results of associates	34,693	–	34,693
Profit before taxation	397,289	4,104	401,393
Taxation	(6,649)	–	(6,649)
Profit for the year	390,640	4,104	394,744

6. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 31 March 2012

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Segment assets	2,780,409	175,083	2,955,492
Segment liabilities	(328,375)	(24,766)	(353,141)
Net assets	2,452,034	150,317	2,602,351

Other segments information:

Depreciation and amortisation	1,870	–	1,870
Addition to investment properties	–	–	–
Addition to property, plant and equipment	141	–	141

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$79.3 million (2012: HK$71.6 million) are rental revenues of approximately HK$17.1 million (2012: HK$14.9 million) which arose from the Group's largest tenant. No other single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

7. INTEREST INCOME

	2013 ***HK$'000***	2012 *HK$'000*
Interest income from bank deposits and balances	**3**	171
Interest income from financial assets held for trading	**13,092**	12,534
Interest income from loans and receivables	**–**	709
	13,095	13,414

8. PROFIT FROM OPERATIONS

	2013 HK$'000	2012 HK$'000
Profit from operations has been arrived at after charging:		
Auditor's remuneration	**350**	315
Exchange loss	**106**	116
Depreciation	**1,239**	834
Amortisation of leasehold land	**1,036**	1,036
Staff costs (including Directors' remuneration)	**14,265**	12,694
Mandatory provident fund contributions	**107**	131
Total staff costs	**14,372**	12,825
and after crediting:		
Dividend income	**620**	894
Gross rental income from investment properties	**79,277**	71,645
Less:		
Direct operating expenses from investment properties that generated rental income	**(783)**	(1,799)
Direct operating expenses from investment properties that did not generate rental income	**(507)**	(564)
Net rental income	**77,987**	69,282

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings:		
wholly repayable within five years	**3,804**	5,029
not wholly repayable within five years	**403**	434
	4,207	5,463

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2012: six) directors were as follows:

2013

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Chan Hoi Sow *(Note 1)*	**–**	**8,856**	**–**	**8,856**
Chan Yan Tin, Andrew	**–**	**1,925**	**15**	**1,940**
Chan Siu Keung, Leonard	**–**	**1,167**	**15**	**1,182**
Chan Yan Mei, Mary-ellen *(Note 2)*	**49**	**–**	**–**	**49**
Chan Kwok Wai	**75**	**–**	**–**	**75**
Tse Lai Han, Henry	**75**	**–**	**–**	**75**
Leung Kui King, Donald	**75**	**–**	**–**	**75**
	274	**11,948**	**30**	**12,252**

2012

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

Note:

1. The amount includes rateable value of HK$2,860,000 (2012: HK$2,743,000), being rent-free accommodation provided to Mr. Chan Hoi Sow by the Company.

2. Appointed on 29 June 2012.

11. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2012: three) were Directors of the Company whose emoluments were included in note 10. The emoluments of the remaining two (2012: two) individuals were as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	2,039	1,966
Mandatory provident fund contributions	30	24
	2,069	1,990

The aggregate emoluments of each of the remaining two (2012: two) highest paid individuals during the year ended 31 March 2013 were within the HK$1,000,001 to HK$2,000,000 band (2012: HK$1 to HK$1,000,000 band).

During the years ended 31 March 2013 and 31 March 2012, 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

	2013	2012
	HK$'000	*HK$'000*
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	6,636	5,454
Under provision in previous years	–	619
	6,636	6,073
Other jurisdiction		
Under (over) provision in previous years	20	(385)
	6,656	5,688
Deferred tax expenses *(note 30)*		
Current year	1,939	1,563
Over provision in previous years	–	(602)
	1,939	961
	8,595	6,649

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:

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation	**711,066**	401,393
Tax at the Hong Kong Profits Tax rate of 16.5% (2012:16.5%)	**117,326**	66,230
Tax effect of share of profits of associates	**(12,920)**	(5,724)
Tax effect of expenses not deductible for tax purpose	**338**	1,362
Tax effect of income not taxable for tax purpose	**(96,207)**	(55,341)
Tax effect of deductible temporary differences not recognised	**–**	(602)
Tax effect of tax losses not recognised	**152**	634
Under provision in respect of prior year	**20**	224
Tax effect on tax reduction	**(120)**	(144)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**6**	10
Tax expenses for the year	**8,595**	6,649

13. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim, paid – HK2.0 cents per share (2012: HK1.8 cents per share)	**6,156**	5,540
Final, proposed – HK3.5 cents per share (2012: HK3.2 cents per share)	**10,771**	9,848
	16,927	15,388

The final dividend of HK3.5 cents per share (2012: HK3.2 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$702,471,000 (2012: HK$394,744,000) and on weighted average number of 307,758,522 (2012: 307,758,829) 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

	2013 *HK$'000*	2012 *HK$'000*
VALUATION		
At 1 April	**2,357,874**	2,150,125
Exchange adjustments	**(105)**	(128)
Additions	**24,638**	–
Disposals	**–**	(92,501)
Increase in fair value of investment properties recognised in the statement of comprehensive income	**550,257**	300,378
At 31 March	**2,932,664**	2,357,874

The investment properties of the Group were revalued at 31 March 2013 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:

	2013 *HK$'000*	2012 *HK$'000*
Properties in Hong Kong		
Medium-term lease	**1,647,800**	1,319,800
Long-term lease	**1,280,600**	1,033,400
Properties outside Hong Kong		
Freehold	**4,264**	4,674
	2,932,664	2,357,874

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong	Furniture and office equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2011	8,205	1,448	1,875	6,505	18,033
Additions	–	41	100	–	141
Disposals	–	(111)	(248)	–	(359)
At 31 March 2012 and 1 April 2012	8,205	1,378	1,727	6,505	17,815
Additions	–	3,241	5,013	–	8,254
Disposals	–	(414)	–	–	(414)
At 31 March 2013	**8,205**	**4,205**	**6,740**	**6,505**	**25,655**
ACCUMULATED DEPRECIATION					
At 1 April 2011	3,207	1,050	559	5,953	10,769
Provided for the year	328	180	168	158	834
Eliminated upon disposals	–	(1)	(56)	–	(57)
At 31 March 2012 and 1 April 2012	3,535	1,229	671	6,111	11,546
Provided for the year	328	280	473	158	1,239
Eliminated upon disposals	–	(414)	–	–	(414)
At 31 March 2013	**3,863**	**1,095**	**1,144**	**6,269**	**12,371**
NET BOOK VALUE					
At 31 March 2013	**4,342**	**3,110**	**5,596**	**236**	**13,284**
At 31 March 2012	4,670	149	1,056	394	6,269

17. LEASEHOLD LAND

	2013	2012
	HK$'000	*HK$'000*
NET BOOK VALUE		
At 1 April	**70,824**	71,860
Amortisation	**(1,036)**	(1,036)
At 31 March	**69,788**	70,824
Current portion	**(1,036)**	(1,036)
Non-current portion	**68,752**	69,788

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

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost less impairment loss	**48,529**	48,529
Amounts due from subsidiaries less allowance	**586,474**	584,949
	635,003	633,478

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 2013 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**343,381**	272,078	**–**	–
Amounts due from an associate	**6,852**	7,904	**6,852**	7,904
	350,233	279,982	**6,852**	7,904

The amounts due from an associate 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 amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2013 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 2013

	2013	2012
	HK$'000	*HK$'000*
Turnover	**22,823**	18,749
Property expenses	**(24)**	(137)
Gross profit	**22,799**	18,612
Realised gain on disposal of financial assets held for trading	**3,047**	92
Unrealised gain (loss) on financial assets held for trading	**2,036**	(987)
Other operating income	**3,936**	3,879
Increase in fair value of investment properties	**137,100**	59,000
Administrative expenses	**(9,725)**	(9,166)
Profit from operations	**159,193**	71,430
Finance costs	**(526)**	(593)
Profit before taxation	**158,667**	70,837
Taxation	**(2,062)**	(1,452)
Profit and total comprehensive income for the year attributable to owners of the Company	**156,605**	69,385
Profit and total comprehensive income for the year attributable to the Group	**78,303**	34,693

19. INTERESTS IN ASSOCIATES (Continued)

WIN EASY DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

	2013 HK$'000	2012 HK$'000
Non-current assets		
Investment properties	703,500	566,400
Deferred rental income	242	7
	703,742	566,407
Current assets		
Trade and other receivables	11,450	2,040
Deferred rental income	207	22
Financial assets held for trading	25,810	41,575
Tax recoverable	–	29
Bank balances and cash	8,127	3,169
	45,594	46,835
Current liabilities		
Trade and other payables	648	725
Rental deposits from tenants	6,625	6,053
Tax liabilities	586	531
Secured bank loans – due within one year	3,000	3,000
	10,859	10,309
Net current assets	34,735	36,526
Non-current liabilities		
Deferred tax liabilities	10,011	9,266
Amounts due to shareholders	13,705	12,512
Secured bank loans – due after one year	28,000	37,000
	51,716	58,778
Net assets	686,761	544,155
Capital and reserve		
Share capital	–	–
Accumulated profits	686,761	544,155
	686,761	544,155

20. AVAILABLE-FOR-SALE INVESTMENTS

	2013 *HK$'000*	2012 *HK$'000*
Club debentures	**2,161**	2,161

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

21. LOANS AND RECEIVABLES

	2013 *HK$'000*	2012 *HK$'000*
Listed overseas debt securities	**–**	8,110

22. TRADE AND OTHER RECEIVABLES

	2013 *HK$'000*	2012 *HK$'000*
Trade receivables	**242**	308
Other receivables		
Interest receivables	**2,394**	3,678
Utilities deposits	**3,368**	3,951
Deposit paid for acquisition of an investment property	**–**	2,350
Prepayments	**983**	969
Others	**145**	28
	7,132	11,284

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 was required for the receivables.

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

23. FINANCIAL ASSETS HELD FOR TRADING

	2013	2012
	HK$'000	*HK$'000*
Analysis of financial assets held for trading		
Listed overseas debt securities	**115,453**	146,996
Listed overseas equity securities	**8,710**	8,482
	124,163	155,478
Market value	**124,163**	155,478

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

24. BANK BALANCES AND CASH

	2013	2012
	HK$'000	*HK$'000*
Bank balances and cash	**38,446**	61,863

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate of 0.01% per annum (2012: 0.01% to 1.61% per annum) with an original maturity of three months or less.

25. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**1,807**	2,282
Other payables		
Accrued interest	**180**	289
Unclaimed dividend	**237**	257
Accrued expenses	**3,414**	4,534
Others	**222**	64
	5,860	7,426

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 value of trade and other payables approximates their fair value.

26. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**12,910**	67,460
More than one year but not exceeding two years	**67,841**	60,809
More than two years but not exceeding five years	**108,232**	167,631
More than five years	**8,430**	9,886
	197,413	305,786
Less: Amounts due within one year	**(12,910)**	(67,460)
	184,503	238,326

99.7% of the bank loans are denominated in Hong Kong dollars with variable interest rate from 1.0% to 1.95 % over HIBOR (2012: from 0.5% to 1.95% over HIBOR) per annum.

The remaining bank loans are denominated in Canadian dollars with variable interest rate which is the prime rate plus 1.0% (2012: prime rate plus 1.0%) 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

	2013		2012	
	Number of ordinary shares of HK$0.5 each	**Nominal value**	Number of ordinary share of HK$0.5 each	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
At 1 April and 31 March	**400,000**	**200,000**	400,000	200,000
Issued and fully paid:				
At 1 April	**307,759**	**153,879**	307,763	153,881
Cancellation upon repurchase of own shares	**–**	**–**	(4)	(2)
At 31 March	**307,759**	**153,879**	307,759	153,879

There were no movements in the share capital of the Company for the year ended 31 March 2013. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

29. RESERVES

	Share premium	Capital redemption reserve	Dividend reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY					
At 1 April 2011	72,818	2,687	8,617	218,309	302,431
Cancellation upon repurchase of own shares	–	2	–	(13)	(11)
Total comprehensive expenses for the year	–	–	–	(3,617)	(3,617)
Dividends declared	–	–	15,388	(15,388)	–
Dividends paid	–	–	(14,157)	–	(14,157)
At 31 March 2012 and 1 April 2012	72,818	2,689	9,848	199,291	284,646
Total comprehensive income for the year	**–**	**–**	**–**	**6,632**	**6,632**
Dividends declared	**–**	**–**	**16,927**	**(16,927)**	**–**
Dividends paid	**–**	**–**	**(16,004)**	**–**	**(16,004)**
At 31 March 2013	**72,818**	**2,689**	**10,771**	**188,996**	**275,274**

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$199,767,000 (2012: HK$209,139,000) 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$'000
At 1 April 2011	15,677
Deferred tax expenses for the year	1,563
Over provision in prior year	(602)
At 31 March 2012 and 1 April 2012	16,638
Deferred tax expenses for the year	1,939
Over provision in prior year	–
At 31 March 2013	**18,577**

With regard to the Group's investment properties, as none of them is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

At the end of the reporting period, the Group has unused tax losses of HK$11,388,000 (2012: HK$10,456,000) 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$25,000 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 2013 amounted to HK$107,000 (2012: HK$131,000). As at 31 March 2013, 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$373,248,000 (2012: HK$502,248,000).

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

i) Investment properties with a carrying value of HK$940,864,000 (2012: HK$1,363,274,000);

ii) Leasehold land and buildings with a carrying value of HK$74,130,000 (2012: HK$75,493,000);

iii) Financial assets held for trading with a carrying value of HK$91,503,000 (2012: HK$89,045,000);

iv) Bank deposits of HK$7,077,000 (2012: HK$5,087,000).

At the end of the reporting period, the Group has utilised banking facilities with an amount of HK$197,414,000 (2012: HK$305,786,000)

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries	**–**	–	**197,414**	305,786
Associates	**15,500**	20,000	**15,500**	20,000
	15,500	20,000	**212,914**	325,786

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

34. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 2.7% (2012: 3.0%) 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:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**75,931**	54,764
In the second to fifth year inclusive	**60,325**	39,486
	136,256	94,250

35. CAPITAL COMMITMENTS

At 31 March 2013, the Group had no outstanding capital commitments (2012: HK$21,150,000).

36. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK$360,000 (2012: HK$360,000) and dividend income of HK$7,000,000 (2012: HK$7,500,000) 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. 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 2013	**Liabilities 2013**	Assets 2012	Liabilities 2012
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Renminbi ("RMB")	**17,775**	**–**	24,606	–
Canadian dollar ("CAD")	**222**	**692**	345	765

Sensitivity analysis

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

Increase/(decrease) in the profit for the year:

	2013	2012
	HK$'000	*HK$'000*
Renminbi ("RMB")	**889**	1,230
Canadian dollar ("CAD")	**23**	21

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management

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

			2013		
	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	**5,860**	**–**	**–**	**–**	**5,860**
Rental deposits from tenants	**26,631**	**–**	**–**	**–**	**26,631**
Secured bank loans	**–**	**12,910**	**176,073**	**8,430**	**197,413**
	32,491	**12,910**	**176,073**	**8,430**	**229,904**

			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

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 2013 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group'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 2013 would increase/decrease by approximately HK$1,505,000 (2012: HK$2,340,000).

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 2013, 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair values

As at 31 March 2013, 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).

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:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets held for trading				
Debt securities	**115,453**	–	–	**115,453**
Equity securities	**8,710**	–	–	**8,710**
Total	**124,163**	–	–	**124,163**

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital risk management

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

As at 31 March 2013, the Group's strategy remained unchanged as compared to 31 March 2012. 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:

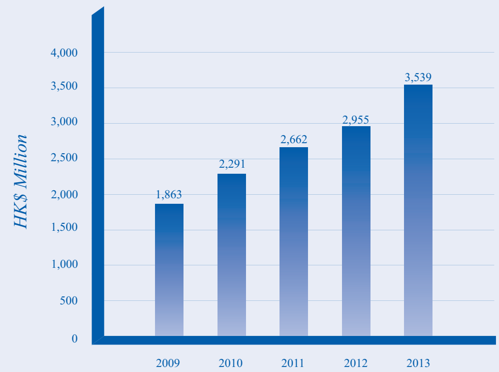
	2013	2012
	HK$'000	*HK$'000*
Bank loans	**197,413**	305,786
Total equity	**3,288,818**	2,602,351
Total debts to total equity ratio	**0.06**	0.12

FIVE-YEAR FINANCIAL SUMMARY

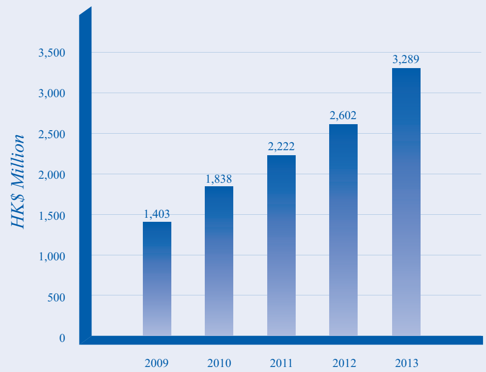
	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Turnover	65,908	66,145	68,200	71,645	**79,277**
Profit (loss) for the year	(266,865)	443,138	411,956	394,744	**702,471**
Earnings (loss) per share	(HK$0.87)	HK$1.44	HK$1.34	HK$1.28	**HK$2.28**
Dividends per share	HK2.0 cents	HK8.5 cents	HK4.6 cents	HK5.0 cents	**HK5.5 cents**
Total assets	1,862,862	2,290,703	2,662,145	2,955,492	**3,539,405**
Total liabilities	459,863	452,260	440,368	353,141	**250,587**
Total shareholders' funds	1,402,999	1,838,443	2,221,777	2,602,351	**3,288,818**

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 2013 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, 16th 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%