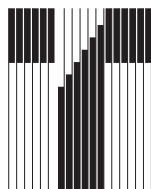


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TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code : 277)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The Board of Directors of Tern Properties Company Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Turnover	3	65,908	60,033
Property expenses		<u>(2,457)</u>	<u>(2,959)</u>
Gross profit		63,451	57,074
Loss on disposal of investments held for trading		–	(50)
Unrealised loss on investments held for trading		(467)	(1,869)
Interest income		784	4,110
Other operating (expense) income		(1,190)	994
(Decrease) increase in fair value of investment properties		(254,777)	304,524
(Loss) gain on disposal of investment properties		(11,700)	1,986
Administrative expenses		<u>(18,350)</u>	<u>(18,607)</u>
(Loss) profit from operations		(222,249)	348,162
Finance costs		(13,117)	(20,119)
Share of results of associates		<u>(28,857)</u>	<u>25,487</u>
(Loss) profit before taxation		(264,223)	353,530
Taxation	6	<u>(2,642)</u>	<u>(5,450)</u>
(Loss) profit for the year		<u><u>(266,865)</u></u>	<u><u>348,080</u></u>
Dividends	7	<u>6,155</u>	<u>13,236</u>
(Loss) earnings per share	8	<u><u>(HK\$0.87)</u></u>	<u><u>HK\$1.13</u></u>

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,430,530	1,729,140
Property, plant and equipment		8,044	9,722
Leasehold land		72,895	73,931
Interests in associates		269,110	303,407
Available-for-sale investments		2,161	2,161
Loans and receivables		8,110	–
		1,790,850	2,118,361
Current assets			
Trade and other receivables	9	2,276	4,670
Investments held for trading		–	8,577
Leasehold land – current portion		1,036	1,036
Tax recoverable		107	393
Time deposits, bank balances and cash		68,594	31,998
		72,013	46,674
Current liabilities			
Trade and other payables	10	9,303	11,467
Rental deposits from tenants		16,905	17,321
Tax liabilities		2,097	1,733
Amount due to an associate		–	29,990
Secured bank loans – due within one year		110,242	470
		138,547	60,981
Net current liabilities		(66,534)	(14,307)
Non-current liabilities			
Deferred tax liabilities		12,481	13,138
Secured bank loans – due after one year		308,836	411,044
		321,317	424,182
Net assets		1,402,999	1,679,872
Capital and reserves			
Share capital		153,881	153,906
Reserves		1,249,118	1,525,966
		1,402,999	1,679,872

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

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

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

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

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

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

Reclassification

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

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

out of:				
Investments held for trading	<u>73,546</u>	<u>59,214</u>	<u>41,516</u>	(17,698)
Share of effect by the Group				<u>(8,849)</u>
Effect on the Group:				
Aggregate decrease in net assets of the Group				<u>(11,889)</u>
Decrease in earnings per share of the Group				<u>HK3.9 cents</u>

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

3. TURNOVER

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Geographical Segments

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

5. (LOSS) PROFIT FROM OPERATIONS

(Loss) profit from operations has been arrived at after charging:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Auditors' remuneration	290	280
Depreciation	1,361	1,280
Amortisation of leasehold land	1,036	721
Exchange loss	836	–
Loss on disposal of investments held for trading	–	50
Staff costs (including Directors' remuneration)	9,106	9,095
Mandatory provident fund contributions	<u>98</u>	<u>96</u>
Total staff costs	9,204	9,191
And after crediting:		
Exchange gain	–	881
Gross rental income from investment properties	65,908	60,033
Less: Direct operating expenses from investment properties that generated rental income	(2,108)	(2,722)
Direct operating expenses from investment properties that did not generate rental income	<u>(349)</u>	<u>(237)</u>
Net rental income	<u><u>63,451</u></u>	<u><u>57,074</u></u>

6. TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Tax expenses attributable to the Company and subsidiaries		
Hong Kong Profits Tax		
Current year	3,447	2,330
Over provision in previous years	<u>(148)</u>	<u>(78)</u>
	3,299	2,252
Other jurisdiction	<u>–</u>	<u>1,293</u>
	<u>3,299</u>	<u>3,545</u>
Deferred tax (credit) expenses		
Current year	1,510	1,905
Over provision in previous years	(1,502)	–
Attributable to change in tax rate	<u>(665)</u>	<u>–</u>
	<u>(657)</u>	<u>1,905</u>
	<u><u>2,642</u></u>	<u><u>5,450</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions. 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.

7. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interim, paid – HK0.5 cents per share (2008: HK1.6 cents per share)	1,539	4,925
Final, proposed – HK1.5 cents per share (2008: HK2.7 cents per share)	<u>4,616</u>	<u>8,311</u>
	<u><u>6,155</u></u>	<u><u>13,236</u></u>

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

8. (LOSS) EARNINGS PER SHARE

The calculation of the (loss) earnings per share is based on the loss for the year of HK\$266,865,000 (2008: profit of HK\$348,080,000) and on weighted average number of 307,793,755 (2008: 307,812,522) ordinary shares in issue during the year. No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

11. CONTINGENT LIABILITIES

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

	The Group		The Company	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subsidiaries	–	–	419,077	411,513
Associates	<u>35,000</u>	<u>55,000</u>	<u>35,000</u>	<u>55,000</u>
	<u><u>35,000</u></u>	<u><u>55,000</u></u>	<u><u>454,077</u></u>	<u><u>466,513</u></u>

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

12. COMPARATIVE FIGURES

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

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 31 July 2009 to Friday, 7 August 2009, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend and to determine the identity of the shareholders entitled to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 July 2009.

BUSINESS REVIEW

Hong Kong

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

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

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

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

Overseas

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

PROSPECTS

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

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

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

FINANCIAL OPERATION REVIEW

Operation

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

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

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

Results

The Group's loss for the year ended 31 March 2009 amounted to HK\$266.9 million (2008: profit of HK\$348.1 million). The loss was due primarily to the decrease in the fair value of investment properties of the Group and its associate upon revaluation at the balance sheet date partially offset by higher rental income and lower interest expense. The Group's share of loss of associates after taxation amounted to HK\$28.9 million (2008: profit of HK\$25.5 million). The loss was due to the impairment loss of securities investment and the decrease in the fair value of investment properties of an associate upon revaluation at the balance sheet date.

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

Bank Borrowings and Finance Costs

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

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

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

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

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

Shareholders' Funds

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

Risk Management

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

Employees and Remuneration Policy

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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

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

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions 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 throughout the year ended 31 March 2009, except that the roles of chairman and chief executive officer are performed by the same individual which is a deviation from code provision A.2.1 of the Code. Please refer to the Company's interim report for the six months ended 30 September 2008 for reasons of the deviation.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited annual accounts for the year ended 31 March 2009 with the Directors.

By Order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 12 June 2009

As at the date of this announcement, the Board of Directors of the Company comprises six Directors, of which three are Executive Directors, namely Mr. CHAN Hoi Sow, Mr. CHAN Yan Tin, Andrew and Mr. CHAN Siu Keung, Leonard and three are Independent Non-Executive Directors, namely Mr. CHAN Kwok Wai, Mr. TSE Lai Han, Henry and Mr. LEUNG Kui King, Donald.