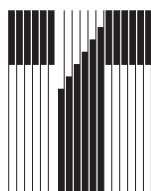


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TERN PROPERTIES COMPANY LIMITED

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 2010

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 2010 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	3	66,145	65,908
Property expenses		(2,751)	(2,457)
Gross profit		63,394	63,451
Unrealised gain (loss) on financial assets held for trading		3,329	(467)
Interest income		3,587	784
Other operating income (expense)		900	(1,190)
Increase (decrease) in fair value of investment properties		359,361	(254,777)
Gain (loss) on disposal of investment properties		12,359	(11,700)
Administrative expenses		(20,474)	(18,350)
Profit (loss) from operations	5	422,456	(222,249)
Finance costs		(4,916)	(13,117)
Share of results of associates		31,472	(28,857)
Profit (loss) before taxation		449,012	(264,223)
Taxation	6	(5,874)	(2,642)
Profit (loss) for the year		443,138	(266,865)
Other comprehensive income		—	—
Total comprehensive income (expense) for the year and attributable to owners of the Company		443,138	(266,865)
Dividends	7	26,160	6,155
Earnings (loss) per share	8	HK\$1.44	(HK\$0.87)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,792,883	1,430,530
Property, plant and equipment		6,902	8,044
Leasehold land		71,860	72,895
Interests in associates		212,582	269,110
Available-for-sale investments		2,161	2,161
Loans and receivables		8,110	8,110
		<u>2,094,498</u>	<u>1,790,850</u>
Current assets			
Trade and other receivables	9	3,849	2,276
Financial assets held for trading		95,304	–
Leasehold land – current portion		1,036	1,036
Tax recoverable		292	107
Time deposits, bank balances and cash		95,724	68,594
		<u>196,205</u>	<u>72,013</u>
Current liabilities			
Trade and other payables	10	6,841	9,303
Rental deposits from tenants		16,665	16,905
Tax liabilities		2,122	2,097
Secured bank loans – due within one year		8,718	110,242
		<u>34,346</u>	<u>138,547</u>
Net current assets (liabilities)		<u>161,859</u>	<u>(66,534)</u>
Non-current liabilities			
Deferred tax liabilities		14,088	12,481
Secured bank loans – due after one year		403,826	308,836
		<u>417,914</u>	<u>321,317</u>
Net assets		<u>1,838,443</u>	<u>1,402,999</u>
Capital and reserves			
Share capital		153,881	153,881
Reserves		1,684,562	1,249,118
		<u>1,838,443</u>	<u>1,402,999</u>

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

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

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

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

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

HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group’s reportable segments (see note 4).

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

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

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

Reclassification

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

3. TURNOVER

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

4. OPERATING SEGMENTS

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

For investment properties, discrete financial information is provided to the Board on a property by property basis. The information provided is 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 are aggregated into segments with similar economic characteristics.

Management considers there is only one reportable operating segment for the Group, which is the property rental operation. All other activities, whether they are revenue generating or not, are incidental to this operating segment.

Business information

2010

	Property HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Turnover	66,145	–	66,145
Property expenses	(2,751)	–	(2,751)
Gross profit	63,394	–	63,394
Unrealised gain on financial assets held for trading	–	3,329	3,329
Interest income	5	3,582	3,587
Other operating income	761	139	900
Increase in fair value of investment properties	359,361	–	359,361
Gain on disposal of investment properties	12,359	–	12,359
Administrative expenses	(20,452)	(22)	(20,474)
Profit from operations	415,428	7,028	422,456
Finance costs	(4,916)	–	(4,916)
Share of results of associates	31,472	–	31,472
Profit before taxation	441,984	7,028	449,012
Taxation	(5,874)	–	(5,874)
Profit for the year	436,110	7,028	443,138

2010

	Property HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment assets	2,184,801	105,902	2,290,703
Segment liabilities	(452,256)	(4)	(452,260)
Net assets	<u>1,732,545</u>	<u>105,898</u>	<u>1,838,443</u>
Other segments information:			
Depreciation and amortisation	2,254	–	2,254
Addition to investment properties	7,316	–	7,316
Addition to property, plant and equipment	153	–	153

2009

	Property HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Turnover	65,908	–	65,908
Property expenses	(2,457)	–	(2,457)
Gross profit	63,451	–	63,451
Unrealised loss on financial assets held for trading	–	(467)	(467)
Interest income	70	714	784
Other operating expense	(1,190)	–	(1,190)
Decrease in fair value of investment properties	(254,777)	–	(254,777)
Loss on disposal of investment properties	(11,700)	–	(11,700)
Administrative expenses	(18,340)	(10)	(18,350)
(Loss) profit from operations	(222,486)	237	(222,249)
Finance costs	(13,117)	–	(13,117)
Share of results of associates	(28,857)	–	(28,857)
(Loss) profit before taxation	(264,460)	237	(264,223)
Taxation	(2,642)	–	(2,642)
(Loss) profit for the year	<u>(267,102)</u>	<u>237</u>	<u>(266,865)</u>

2009

	Property HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment assets	1,849,961	12,902	1,862,863
Segment liabilities	(459,864)	–	(459,864)
Net assets	<u>1,390,097</u>	<u>12,902</u>	<u>1,402,999</u>
Other segments information:			
Depreciation and amortisation	2,397	–	2,397
Addition to investment properties	–	–	–
Addition to property, plant and equipment	76	–	76

Geographical information

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

Information on major customers

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

5. PROFIT (LOSS) FROM OPERATIONS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	290	290
Depreciation	1,218	1,361
Amortisation of leasehold land	1,036	1,036
Exchange loss	–	836
Staff costs (including Directors' remuneration)	10,890	9,107
Mandatory provident fund contributions	106	97
	<hr/>	<hr/>
Total staff costs	10,996	9,204
and after crediting:		
Exchange gain	421	–
Gross rental income from investment properties	66,145	65,908
Less: Direct operating expenses from investment properties that generated rental income	(2,384)	(2,108)
Direct operating expenses from investment properties that did not generate rental income	(367)	(349)
	<hr/>	<hr/>
Net rental income	63,394	63,451

6. TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	4,163	3,447
Over provision in previous years	(100)	(148)
	<hr/>	<hr/>
	4,063	3,299
Other jurisdiction	204	–
	<hr/>	<hr/>
	4,267	3,299
Deferred tax expenses (credit)		
Current year	1,609	1,510
Over provision in previous years	(2)	(1,502)
Attributable to change in tax rate	–	(665)
	<hr/>	<hr/>
	1,607	(657)
	<hr/>	<hr/>
	5,874	2,642

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) 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

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid – HK1.0 cent per share (2009: HK0.5 cent per share)	3,078	1,539
Final, proposed – HK2.5 cents per share (2009: HK1.5 cents per share)	7,694	4,616
Special, proposed – HK5.0 cents per share (2009: Nil)	15,388	–
	26,160	6,155

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

8. EARNINGS (LOSS) PER SHARE

The calculation of the earnings (loss) per share is based on the profit for the year of HK\$443,138,000 (2009: loss of HK\$266,865,000) and on weighted average number of 307,762,522 (2009: 307,793,755) ordinary shares in issue during the year. No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

11. CONTINGENT LIABILITIES

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

	The Group		The Company	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subsidiaries	–	–	412,544	419,077
Associates	27,500	35,000	27,500	35,000
	27,500	35,000	440,044	454,077

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

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

BUSINESS REVIEW

Hong Kong

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

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

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

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

Overseas

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

PROSPECTS

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

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

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

FINANCIAL OPERATION REVIEW

OPERATION

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

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

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

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

RESULTS

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

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

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

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

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

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

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

SHAREHOLDERS' FUNDS

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

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

RISK MANAGEMENT

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

EMPLOYEES AND REMUNERATION POLICY

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 2010, 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 2009 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 2010 with the Directors.

By order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 11 June 2010

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.