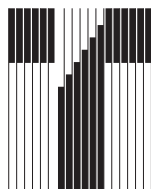


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## TERN PROPERTIES COMPANY LIMITED

### 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 2012

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 2012 are as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

|   | <i>Notes</i> | <b>2012</b><br><b>HK\$'000</b> | 2011<br>HK\$'000 |
|---|--------------|--------------------------------|------------------|
| Turnover  | 3            | <b>71,645</b>                  | 68,200           |
| Property expenses   |              | <b>(2,363)</b>                 | (2,118)          |
| Gross profit  |              | <b>69,282</b>                  | 66,082           |
| Realised (loss) gain on financial assets held for trading |              | <b>(3,200)</b>                 | 252              |
| Unrealised loss on financial assets held for trading      |              | <b>(6,863)</b>                 | (1,133)          |
| Dividend income   |              | <b>894</b>                     | 591              |
| Interest income   |              | <b>13,414</b>                  | 10,449           |
| Other operating income                                    |              | <b>31</b>                      | 557              |
| Increase in fair value of investment properties           |              | <b>300,378</b>                 | 328,064          |
| Gain on disposal of investment properties                 |              | <b>20,567</b>                  | –                |
| Administrative expenses                                   |              | <b>(22,340)</b>                | (21,910)         |

|  | <i>Notes</i> | <b>2012</b><br><b>HK\$'000</b> | 2011<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Profit from operations   | 5            | <b>372,163</b>                 | 382,952                 |
| Finance costs  |              | <b>(5,463)</b>                 | (4,446)                 |
| Share of results of associates   |              | <b>34,693</b>                  | 39,863                  |
|  |              | <hr/>                          | <hr/>                   |
| Profit before taxation   |              | <b>401,393</b>                 | 418,369                 |
| Taxation   | 6            | <b>(6,649)</b>                 | (6,413)                 |
|  |              | <hr/>                          | <hr/>                   |
| Profit and total comprehensive income<br>for the year and attributable to<br>owners of the Company |              | <b>394,744</b>                 | 411,956                 |
|  |              | <hr/> <hr/>                    | <hr/> <hr/>             |
| Dividends  | 7            | <b>15,388</b>                  | 14,157                  |
|  |              | <hr/> <hr/>                    | <hr/> <hr/>             |
| Earnings per share<br>Basic and diluted  | 8            | <b>HK\$1.28</b>                | HK\$1.34                |
|  |              | <hr/> <hr/>                    | <hr/> <hr/>             |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

|  | <i>Notes</i> | <b>2012</b><br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                |              |                                |                         |
| Investment properties                    |              | 2,357,874                      | 2,150,125               |
| Property, plant and equipment            |              | 6,269                          | 7,264                   |
| Leasehold land                           |              | 69,788                         | 70,824                  |
| Interests in associates                  |              | 279,982                        | 248,245                 |
| Available-for-sale investments           |              | 2,161                          | 2,161                   |
| Loans and receivables                    |              | 8,110                          | 8,110                   |
| Deferred rental income                   |              | 228                            | 354                     |
|  |              | <u>2,724,412</u>               | <u>2,487,083</u>        |
| <b>Current assets</b>                    |              |                                |                         |
| Trade and other receivables              | 9            | 11,284                         | 6,570                   |
| Financial assets held for trading        |              | 155,478                        | 134,349                 |
| Leasehold land – current portion         |              | 1,036                          | 1,036                   |
| Deferred rental income – current portion |              | 597                            | 517                     |
| Tax recoverable                          |              | 822                            | 329                     |
| Bank balances and cash                   |              | 61,863                         | 32,261                  |
|  |              | <u>231,080</u>                 | <u>175,062</u>          |
| <b>Current liabilities</b>               |              |                                |                         |
| Trade and other payables                 | 10           | 7,426                          | 6,735                   |
| Rental deposits from tenants             |              | 21,411                         | 18,757                  |
| Tax liabilities                          |              | 1,880                          | 2,330                   |
| Secured bank loans – due within one year |              | 67,460                         | 8,746                   |
|  |              | <u>98,177</u>                  | <u>36,568</u>           |
| <b>Net current assets</b>                |              | <u>132,903</u>                 | <u>138,494</u>          |
| <b>Non-current liabilities</b>           |              |                                |                         |
| Deferred tax liabilities                 |              | 16,638                         | 15,677                  |
| Secured bank loans – due after one year  |              | 238,326                        | 388,123                 |
|  |              | <u>254,964</u>                 | <u>403,800</u>          |
| <b>Net assets</b>                        |              | <u>2,602,351</u>               | <u>2,221,777</u>        |
| <b>Capital and reserves</b>              |              |                                |                         |
| Share capital                            |              | 153,879                        | 153,881                 |
| Reserves                                 |              | 2,448,472                      | 2,067,896               |
|  |              | <u>2,602,351</u>               | <u>2,221,777</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 (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.

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

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

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

HKAS 24 Related Party Disclosures  
(as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The application of the revised Standard has had no effect on the consolidated financial statements of the Group.

Amendments to HKAS 32  
Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity’s equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity’s equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to HK(IFRIC)-Int 14  
Prepayments of a Minimum  
Funding Requirement

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

The application of the amendments has not had any material effect on the Group’s consolidated financial statements.

|   |  |
|---|--|
| <p>HK(IFRIC)-Int 19<br/>Extinguishing Financial Liabilities<br/>with Equity Instruments</p> | <p>The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.</p> <p>The application of HK (IFRIC)-Int 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.</p> |
| <p>Improvements to HKFRSs issued in 2010</p>  | <p>The application of Improvements to HKFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.</p>  |

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

### **3. TURNOVER**

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

### **4. 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 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 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

### 2012

|  | Property<br>investment<br><i>HK\$'000</i> | Treasury<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|--------------------------|
| Turnover   | 71,645                                    | –   | 71,645                   |
| Property expenses                                    | (2,363)                                   | –   | (2,363)                  |
| Gross profit   | 69,282                                    | –   | 69,282                   |
| Realised loss on 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                                  | <u>390,640</u>                            | <u>4,104</u>                              | <u>394,744</u>           |

### At 31 March 2012

|                     | Property<br>investment<br><i>HK\$'000</i> | Treasury<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------|---|---|--------------------------|
| Segment assets      | 2,780,409                                 | 175,083                                   | 2,955,492                |
| Segment liabilities | (328,375)                                 | (24,766)                                  | (353,141)                |
| Net assets          | <u>2,452,034</u>                          | <u>150,317</u>                            | <u>2,602,351</u>         |

### Other segments information:

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

2011

|  | Property<br>investment<br><i>HK\$'000</i> | Treasury<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|--------------------------|
| Turnover   | 68,200                                    | –   | 68,200                   |
| Property expenses                                    | (2,118)                                   | –   | (2,118)                  |
| Gross profit   | 66,082                                    | –   | 66,082                   |
| Realised gain on financial assets held for trading   | –   | 252                                       | 252                      |
| Unrealised loss on financial assets held for trading | –   | (1,133)                                   | (1,133)                  |
| Dividend income                                      | –   | 591                                       | 591                      |
| Interest income                                      | 160                                       | 10,289                                    | 10,449                   |
| Other operating income                               | 384                                       | 173                                       | 557                      |
| Increase in fair value of investment properties      | 328,064                                   | –   | 328,064                  |
| Administrative expenses                              | (21,856)                                  | (54)                                      | (21,910)                 |
| Profit from operations                               | 372,834                                   | 10,118                                    | 382,952                  |
| Finance costs  | (4,446)                                   | –   | (4,446)                  |
| Share of results of associates                       | 39,863                                    | –   | 39,863                   |
| Profit before taxation                               | 408,251                                   | 10,118                                    | 418,369                  |
| Taxation   | (6,413)                                   | –   | (6,413)                  |
| Profit for the year                                  | <u>401,838</u>                            | <u>10,118</u>                             | <u>411,956</u>           |
| At 31 March 2011                                     |   |   |                          |
|  | Property<br>investment<br><i>HK\$'000</i> | Treasury<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Segment assets                                       | 2,512,439                                 | 149,706                                   | 2,662,145                |
| Segment liabilities                                  | (440,363)                                 | (5)                                       | (440,368)                |
| Net assets   | <u>2,072,076</u>                          | <u>149,701</u>                            | <u>2,221,777</u>         |
| Other segments information:                          |   |   |                          |
| Depreciation and amortisation                        | 1,884                                     | –   | 1,884                    |
| Addition to investment properties                    | 28,956                                    | –   | 28,956                   |
| Addition to property, plant and equipment            | 1,210                                     | –   | 1,210                    |

### Geographical information

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

### Information on major customers

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

## 5. PROFIT FROM OPERATIONS

|  | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit from operations has been arrived at after charging:                               |                         |                         |
| Auditors' remuneration   | 315                     | 290                     |
| Exchange loss  | 116                     | –                       |
| Depreciation   | 834                     | 848                     |
| Amortisation of leasehold land   | 1,036                   | 1,036                   |
| Staff costs (including Directors' remuneration)  | 12,694                  | 11,837                  |
| Mandatory provident fund contributions   | 131                     | 114                     |
| Total staff costs  | 12,825                  | 11,951                  |
| and after crediting:   |                         |                         |
| Exchange gain  | –                       | 243                     |
| Dividend income  | 894                     | 591                     |
| Gross rental income from investment properties   | 71,645                  | 68,200                  |
| Less: Direct operating expenses from investment properties that generated rental income  | (1,799)                 | (1,732)                 |
| Direct operating expenses from investment properties that did not generate rental income | (564)                   | (386)                   |
| Net rental income  | <u>69,282</u>           | <u>66,082</u>           |

## 6. TAXATION

|   | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Tax expenses attributable to the Company and subsidiaries |                         |                         |
| Hong Kong Profits Tax                                     |                         |                         |
| Current year  | 5,454                   | 4,568                   |
| Under provision in previous years                         | 619                     | 103                     |
|   | 6,073                   | 4,671                   |
| Other jurisdiction  |                         |                         |
| (Over) under provision in previous years                  | (385)                   | 153                     |
|   | 5,688                   | 4,824                   |
| Deferred tax expenses                                     |                         |                         |
| Current year  | 1,563                   | 1,822                   |
| Over provision in previous years                          | (602)                   | (233)                   |
|   | 961                     | 1,589                   |
|   | <u>6,649</u>            | <u>6,413</u>            |

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. 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

|  | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim, paid – HK1.8 cents per share<br>(2011: HK1.8 cents per share)   | 5,540                   | 5,540                   |
| Final, proposed – HK3.2 cents per share<br>(2011: HK2.8 cents per share) | <u>9,848</u>            | <u>8,617</u>            |
|  | <u><b>15,388</b></u>    | <u><b>14,157</b></u>    |

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

## 8. EARNINGS PER SHARE

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

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

## 9. TRADE AND OTHER RECEIVABLES

|  | 2012<br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables                                      | 308                     | 38                      |
| Other receivables                                      |                         |                         |
| Interest receivables                                   | 3,678                   | 3,068                   |
| Utilities deposits                                     | 3,951                   | 2,028                   |
| Deposit paid for acquisition of an investment property | 2,350                   | –                       |
| Prepayments  | 969                     | 1,024                   |
| Others   | <u>28</u>               | <u>412</u>              |
|  | <u><b>11,284</b></u>    | <u><b>6,570</b></u>     |

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

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

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

## 10. TRADE AND OTHER PAYABLES

|                | <b>2012</b><br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Trade payables | <b>2,282</b>                   | 1,737                   |
| Other payables | <b>5,144</b>                   | 4,998                   |
|                | <b>7,426</b>                   | 6,735                   |

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

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

## 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:

|              | <b>The Group</b>               |                         | <b>The Company</b>             |                         |
|--------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|              | <b>2012</b><br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> | <b>2012</b><br><i>HK\$'000</i> | 2011<br><i>HK\$'000</i> |
| Subsidiaries | –                              | –                       | <b>305,786</b>                 | 396,869                 |
| Associates   | <b>20,000</b>                  | 24,000                  | <b>20,000</b>                  | 24,000                  |
|              | <b>20,000</b>                  | 24,000                  | <b>325,786</b>                 | 420,869                 |

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

## 12. EVENT AFTER THE REPORTING PERIOD

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

## **DIVIDENDS**

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

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

## **BUSINESS REVIEW**

### **Hong Kong**

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

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

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

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

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

## **Overseas**

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

## **PROSPECTS**

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

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

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

## **FINANCIAL OPERATION REVIEW**

### **OPERATION**

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

The Group's gross rental income for the year ended 31 March 2012 amounted to HK\$71.6 million (2011: HK\$68.2 million), an increase of 5.1% from last year. During the year, Southgate Commercial Centre situated on 29 Granville Road and The Wave situated on 184 Nathan Road recorded substantial increase in rental income of approximately 10% while the Group's commercial shop properties in Tsimshatsui recorded substantial increase in rental rates upon lease renewal. The Group's share of gross rental income from an associate amounted to HK\$9.4 million (2011: HK\$8.9 million), an increase of 5.7% from last year. The Group's rental portfolio achieved an occupancy rate of 98% at the end of the year.

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

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

## **RESULTS**

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

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

## **LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS**

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

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

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

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

## SHAREHOLDERS' FUNDS

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

## RISK MANAGEMENT

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

## EMPLOYEES AND REMUNERATION POLICY

At 31 March 2012, the total number of staff of the Group was 15 (2011: 15). The total staff costs including Directors' remuneration amounted to HK\$12.8 million (2011: HK\$12.0 million).

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

| Month of purchase | Total number of ordinary shares purchased | Highest price paid per share<br><i>HK\$</i> | Lowest price paid per share<br><i>HK\$</i> | Aggregate consideration<br><i>HK\$</i> |
|-------------------|---|---|--|--|
| April 2011        | <u>4,000</u>                              | 3.30  | 3.30                                       | <u>13,200</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 2012, 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 2011 for reasons of the deviation.

## **REVIEW OF ACCOUNTS BY AUDIT COMMITTEE**

The Audit Committee has reviewed the Group’s audited annual accounts and annual results for the year ended 31 March 2012 with the Directors.

By Order of the Board  
**Chan Hoi Sow**  
*Chairman*

Hong Kong, 15 June 2012

*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.*