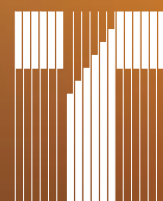




ANNUAL
REPORT
2004

04



**TERN
PROPERTIES
COMPANY
LIMITED**

CONTENTS

CORPORATE INFORMATION	1
PROFILE OF DIRECTORS AND SENIOR MANAGEMENT	2
CHAIRMAN'S STATEMENT	3-4
MANAGEMENT DISCUSSION AND ANALYSIS	5-7
DIRECTORS' REPORT	8-13
AUDITORS' REPORT	14
CONSOLIDATED INCOME STATEMENT	15
CONSOLIDATED BALANCE SHEET	16
BALANCE SHEET	17
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
CONSOLIDATED CASH FLOW STATEMENT	19
NOTES TO THE FINANCIAL STATEMENTS	20-45
FIVE-YEAR FINANCIAL SUMMARY	46
PARTICULARS OF PROPERTIES HELD BY THE GROUP	47-49

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow

Chairman and Managing Director

Chan Siu Keung, Leonard

Chan Yan Tin, Andrew

Independent Non-Executive Directors

Lee Yip Wah, Peter

Lee Ka Sze, Carmelo

AUDIT COMMITTEE

Lee Yip Wah, Peter

Lee Ka Sze, Carmelo

COMPANY SECRETARY

Lee Yip Wah, Peter

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Wing Lung Bank Limited

DBS Bank (Hong Kong) Limited

AUDITORS

HLM & Co.

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

26th Floor, Tern Centre, Tower I

237 Queen's Road Central

Hong Kong

REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Hoi Sow

Mr. Chan, aged 70, has been the Chairman and Managing Director of the Group since 1987. Mr. Chan has more than 30 years experience in property investment and development in both Hong Kong and overseas.

CHAN Siu Keung, Leonard

Mr. Chan, aged 47, has been an executive director and Finance Director of the Company since October 1994. Mr. Chan is a qualified accountant. He joined the Group in 1992 and has extensive experience in finance and investment.

CHAN Yan Tin, Andrew

Mr. Chan, aged 40, has been an executive director of the Company since January 2004. He was an executive director from October 1987 to April 2001 and a non-executive director from April 2001 to January 2004. Mr. Chan is a son of Mr. Chan Hoi Sow. He graduated from a Canadian university, and has extensive experience in property investment and development in both Hong Kong and overseas.

LEE Yip Wah, Peter

Mr. Lee, aged 62, has been an independent non-executive director of the Company since October 1994. Mr. Lee is a practising solicitor, a consultant of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries and a China appointed attesting officer. He is also a non-executive director of a number of public listed companies including Cosco Pacific Limited, Shenzhen Investment Limited and Elec & Eltek International Holdings Limited. Mr. Lee is also the secretary of the Company.

LEE Ka Sze, Carmelo

Mr. Lee, aged 44, has been an independent non-executive director of the Company since September 1998. Mr. Lee holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's audited consolidated profit for the year ended 31 March 2004, after providing for taxation, amounted to HK\$18,692,493. Earnings per share for the year was HK6.1 cents.

DIVIDENDS

The Directors propose to declare a final dividend of HK1.8 cents (2003: HK1.6 cents) per share and a special dividend of HK1.2 cents (2003: Nil) per share, payable to shareholders whose names appear in the Register of Members of the Company on 13 August 2004. These dividends, together with the interim dividend of HK1.2 cents per share already paid in January 2004, will make a total distribution of HK4.2 cents (2003: HK2.8 cents) per share for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 6 August 2004 to Friday, 13 August 2004, 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, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, 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 4:00 p.m. on Thursday, 5 August 2004. It is expected that the final dividend warrants and the special dividend warrants will be despatched to shareholders on or about 16 August 2004.

BUSINESS REVIEW

Hong Kong

The fourth quarter of 2003 marked the turn around in the economy of Hong Kong. Due to the recent influx of mainland tourists and the closer economic ties with mainland China, demand and rental rates for local retail and office spaces rebounded substantially since the latter part of last year. The Group's rental income also increased in the second half of the year. However the Group's rental income for the full year recorded a decrease due to the outbreak of SARS in the first half of the year.

The Group's gross rental income for the year was HK\$28.6 million. In addition, the Group's share of gross rental income from an associate was HK\$9.5 million. Therefore the total gross rental income attributable to the Group amounted to HK\$38.1 million, representing a decrease of 6.8% over that of the previous year. Nevertheless the Group's rental portfolio continued to achieve an average occupancy rate of over 96% during the year.

CHAIRMAN'S STATEMENT

The Group has reorganised its bond investment portfolio in view of market conditions during the year. The total amount of the bond investment portfolio was HK\$59.7 million and the market value increased HK\$1.9 million at the end of the year. The investments generated HK\$3.8 million interest income and HK\$1.6 million trading profit for the year.

Overseas

The six residential units of Pointe Claire in Vancouver, Canada were fully leased during the year. The market value of these properties recorded a substantial increase at the end of the year due to the buoyant local property market and the appreciation of the Canadian currency.

PROSPECTS

The mainland economy is showing signs of over-heating. The central government is trying various measures to manoeuvre the economy to a soft landing. The international oil price is in the high range recently. The U.S. economy is also turning strong. Interest rate is expected to trend upwards in the second half of the year. Although Hong Kong may feel the negative impact of the mainland macro-economic adjustment, it may also need to raise the interest rate later. These developments will pose a challenge to the recovery of the local economy.

In the local residential property market, trading may slow down after substantial increase in the volume of the transactions and their pricing recently. However buyer sentiment will continue. In the commercial property market, the rental value of retail shops especially in tourist areas will continue to strengthen amid the increasing number of mainland tourists visiting Hong Kong. The office market will also continue to benefit from the increasing demand of office space amid the gradual recovery of the local economy.

The Group's rental income is expected to increase upon the lease renewal of the properties next year. The Group is in a sound financial position with low gearing, and will continue to search for suitable investment opportunities in the property and securities markets.

Finally I would like to take this opportunity to express my gratitude to all the Directors and staff members of the Group for their valuable contribution and continued support throughout the year.

Chan Hoi Sow

Chairman

Hong Kong, 11 June 2004

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION

The Group continued to hold commercial properties for rental income and invest in bond securities for interest income during the year. The Group's turnover for the year ended 31 March 2004 amounted to HK\$92.2 million (2003: HK\$102.4 million), a decrease of 10.0% from last year. The decrease was due to the reduction of rental income and sale of bond securities.

The Group's gross rental income for the year ended 31 March 2004 amounted to HK\$28.6 million (2003: HK\$31.0 million), a decrease of 7.7% from last year. The Group's share of gross rental income from an associate amounted to HK\$9.5 million (2003: HK\$9.8 million), a decrease of 3.8% from last year. The reductions were due to the SARS effect and the general decline in market rental rate in early 2003.

The Group's sale of bond securities for the year ended 31 March 2004 amounted to HK\$63.6 million (2003: HK\$71.4 million), a decrease of 10.9% from last year. At 31 March 2004, the Group held a total of HK\$59.7 million in investments in bond securities, a decrease of HK\$11.8 million from last year. The investments were denominated in U.S. currency, and focused on quality corporate and banking bonds with high yield and comparatively low risk.

RESULT

The Group's profit for the year ended 31 March 2004 amounted to HK\$18.7 million (2003: HK\$29.0 million), a decrease of 35.6% from last year. The decrease was due to lower rental income and bond interest income, lower increase in market value on investments in bond securities and the loss on disposal of an investment property in Shanghai partially offset by lower interest expense during the year. The Group's share of results of associates after taxation amounted to HK\$5.3 million (2003: HK\$6.6 million), a decrease of 19.5% from last year. The decrease was due to lower rental income and higher administrative expenses during the year.

Earnings per share for the year ended 31 March 2004 were HK6.1 cents (2003: HK9.4 cents), a decrease of 35.6% from last year. The proposed final dividend of HK1.8 cents (2003: HK1.6 cents) and special dividend of HK1.2 cents (2003: Nil) per share will make a total distribution of HK4.2 cents (2003: HK2.8 cents) per share for the full year, an increase of 50.0% from last year.

MANAGEMENT DISCUSSION AND ANALYSIS

BANK BORROWINGS AND FINANCE COSTS

At 31 March 2004, the Group's banking facilities amounting HK\$226.1 million (2003: HK\$235.9 million) were secured by its land and buildings and investment properties with an aggregate carrying value amounting HK\$536.6 million (2003: HK\$523.0 million). These facilities were utilised to the extent of HK\$117.2 million (2003: HK\$146.9 million) at 31 March 2004.

At 31 March 2004, the total amount of outstanding bank borrowings net of bank balances and cash of HK\$19.8 million were HK\$97.4 million (2003: HK\$128.0 million), a decrease of HK\$30.5 million from last year. The decrease was due to partial repayment of bank borrowings with proceeds and deposits from sale of investment properties, surplus funds from operation and funds received from the repayment of an amount due from an associate during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, decreased to a low level at 13.2% (2003: 18.1%).

Of the total bank loans at 31 March 2004, 94.8% are repayable within one year, 1.0% are repayable after one year but within five years and 4.2% are repayable after five years.

In view of the low gearing, the Group has adopted the policy to minimise finance costs by drawing down revolving bank facilities to finance short term funding requirements and repaying the revolving loans with surplus funds arising from the operation subsequently. The Group's finance costs for the year ended 31 March 2004 were HK\$2.7 million (2003: HK\$4.5 million), a decrease of 39.0% from last year. The decrease was due to lower level of bank borrowings and lower market interest rate during the year.

SHAREHOLDERS' FUNDS

At 31 March 2004, the Group's shareholders' funds amounted to HK\$736.7 million (2003: HK\$700.1 million), an increase of HK\$36.6 million from last year. The net asset value per share was HK\$2.39 (2003: HK\$2.27). The increase in shareholders' funds was due to the increase in the value of the Group's investment properties upon revaluation at the balance sheet date and the retained profit for the year.

RISKS OF FLUCTUATIONS IN EXCHANGE RATE AND INTEREST RATE

Over 95% of the Group's bank borrowings are denominated in Hong Kong dollars. The remaining bank borrowings are denominated in Canadian dollars and are secured by the Canadian properties. Only the equity portion of the Canadian properties is subject to exchange rate risk. The amount involved is 1% of the Group's net assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Most of the Group's bank borrowings are revolving loans with floating interest rate based on HIBOR. Since the Group's gearing ratio is low, the interest rate risk associated with the bank borrowings is not substantial.

The investments in bond securities are denominated in U.S. dollars. There is minimal exchange rate risk accordingly. 20% of the investments in bond securities will mature in August 2004 and is not subject to any interest rate risk. The remaining portion of the investments is subject to interest rate risk. To minimise the interest rate risk, the Group invests in those securities with short to medium maturity period and high coupon rate. The quality and liquidity of the investments are also considered in the Group's investment decisions with market monitoring on a daily basis.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2004, the Group has neither contingent liabilities nor capital commitments.

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2004, the total number of staff of the Group was 11 (2003: 10). The total staff costs including Directors' emoluments amounted to HK\$7.3 million (2003: HK\$7.4 million).

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

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 16 and 17 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 15.

An interim dividend of HK1.2 cents per share amounting to HK\$3,693,750 was paid on 12 January 2004. The Directors now recommend the payment of a final dividend of HK1.8 cents per share and a special dividend of HK1.2 cents per share to be paid to the shareholders on the Register of Members on 13 August 2004 amounting to HK\$5,540,626 and HK\$3,693,750 respectively, and the retention of the remaining profit for the year of HK\$5,764,367.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the balance sheet date. The net surplus arising on revaluation, which has been credited directly to the investment property revaluation reserve, amounted to HK\$15,068,457.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 14 and 15 to the financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2004 are set out on pages 47 to 49.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 23 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. Chan Hoi Sow

Mr. Chan Siu Keung, Leonard

Mr. Chan Yan Tin, Andrew (re-designated on 2 January 2004)

Non-Executive Director

Mr. Chan Yan Tin, Andrew (ceased on 2 January 2004)

Independent Non-Executive Directors

Mr. Lee Yip Wah, Peter

Mr. Lee Ka Sze, Carmelo

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

In accordance with Article 103 of the Articles of Association of the Company, Mr. Chan Yan Tin, Andrew and Mr. Lee Ka Sze, Carmelo shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office of the Non-Executive Directors are the period up to their retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

At 31 March 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	Beneficial Owner	Personal Interest	2,036,000	171,332,896	55.66
	Interest of Controlled Corporation (<i>Note</i>)	Corporate Interest	169,296,896	–	0.00
Chan Siu Keung, Leonard	–	–	–	–	0.00
Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Lee Yip Wah, Peter	–	–	–	–	0.00
Lee Ka Sze, Carmelo	–	–	–	–	0.00

Note: Mr. Chan Hoi Sow had a 100% interest in Beyers Investments Limited which, through its wholly owned subsidiary, Noranger Company Limited, held 143,474,000 ordinary shares of the Company. He also had a 100% interest in Evergrade Investments Limited which held 25,822,896 ordinary shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madam Loo Kuo Pin, were deemed to have interests in 169,296,896 ordinary shares of the Company.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2004 or had been granted or exercised any such right during the year.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2004, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Loo Kuo Pin	Interest of Spouse (Note 1)	Family Interest	171,332,896	171,332,896	55.66
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	143,474,000	143,474,000	46.61
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	143,474,000	143,474,000	46.61
Evergrade Investments Limited	Beneficial Owner (Note 3)	Corporate Interest	25,822,896	25,822,896	8.39
Edward Kew	Beneficial Owner (Note 4)	Personal Interest	5,461,200	25,968,494	8.44
	Interest of Spouse (Note 4)	Family Interest	8,856,494		
	Interest of Controlled Corporation (Note 4)	Corporate Interest	11,650,800		
Kew Youn Lunn	Beneficial Owner (Note 5)	Personal Interest	2,380,800	25,968,494	8.44
	Interest of Spouse (Note 5)	Family Interest	5,461,200		
	Interest of Controlled Corporation (Note 5)	Corporate Interest	18,126,494		

DIRECTORS' REPORT

Notes:

1. The interest is in fact the same block of shares already disclosed under the personal and corporate interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
2. The two references to 143,474,000 shares relate to same block of shares in the Company. These shares are held by Noranger Company Limited which is wholly owned by Beyers Investments Limited which in turn is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
3. These shares are held by Evergrade Investments Limited which is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
4. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.
5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2004, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CODE OF BEST PRACTICE

The Company has complied, throughout the year ended 31 March 2004, with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' REPORT

AUDITORS

Messrs. Deloitte Touche Tohmatsu, who acted as auditors of the Company for the preceding three years, resigned and Messrs. HLM & Co. were appointed as auditors of the Company for the year ended 31 March 2004. A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. HLM & Co. as auditors of the Company.

On behalf of the Board

Chan Hoi Sow

Chairman

Hong Kong, 11 June 2004

AUDITORS' REPORT

恒健會計師行

H L M & C o .

Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel電話: (852) 3103 6980
Fax傳真: (852) 3104 0170
E-mail電郵: hlm@hlm.biz.com.hk

TO THE MEMBERS OF TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 15 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

HLM & Co.

Certified Public Accountants

Hong Kong, 11 June 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

	Notes	2004 HK\$	2003 HK\$ (Restated)
Turnover	4	92,176,193	102,377,937
Cost of other investments disposed of		(61,968,716)	(70,443,113)
Property expenses		(1,879,357)	(2,015,590)
Increase in fair value of other investments held at year end		<u>1,985,500</u>	<u>3,909,848</u>
Gross profit		30,313,620	33,829,082
Interest income	6	3,835,908	5,623,357
Other operating income		1,017,370	370,564
Administrative expenses		(11,432,305)	(11,232,216)
Loss on disposal of investment properties		<u>(5,995,266)</u>	<u>(481,962)</u>
Profit from operations	7	17,739,327	28,108,825
Finance costs	8	(2,725,209)	(4,466,614)
Share of results of associates		<u>6,756,965</u>	<u>7,883,153</u>
Profit before taxation		21,771,083	31,525,364
Taxation	11	<u>(3,078,590)</u>	<u>(2,485,642)</u>
Profit for the year		<u><u>18,692,493</u></u>	<u><u>29,039,722</u></u>
Dividends	12	<u><u>12,928,126</u></u>	<u><u>8,618,750</u></u>
Earnings per share	13	<u><u>HK6.1 cents</u></u>	<u><u>HK9.4 cents</u></u>

CONSOLIDATED BALANCE SHEET

At 31 March 2004

	Notes	2004 HK\$	2003 HK\$ (Restated)
Non-current assets			
Investment properties	14	608,202,410	598,342,170
Property, plant and equipment	15	19,635,604	17,193,699
Interests in associates	17	162,405,468	156,698,278
Deferred tax assets		60,900	128,241
Club debentures		2,160,500	2,160,500
		<u>792,464,882</u>	<u>774,522,888</u>
Current assets			
Trade and other receivables	18	2,759,579	3,133,205
Other investments	19	63,388,054	71,544,057
Bank deposits		–	18,000,000
Bank balances and cash		19,781,575	982,044
		<u>85,929,208</u>	<u>93,659,306</u>
Current liabilities			
Trade and other payables	20	9,493,773	9,743,842
Rental deposits from tenants		7,671,865	7,502,062
Deposit received upon sale of properties		3,000,000	–
Tax liabilities		1,030,457	1,162,653
Secured bank loans – due within one year	21	97,247,976	51,643,027
Bank overdrafts – secured		14,599,265	16,011,719
		<u>133,043,336</u>	<u>86,063,303</u>
Net current (liabilities) assets		<u>(47,114,128)</u>	<u>7,596,003</u>
Non-current liabilities			
Deferred tax liabilities		3,264,115	2,720,822
Secured bank loans – due after one year	21	5,366,233	79,288,093
		<u>8,630,348</u>	<u>82,008,915</u>
		<u>736,720,406</u>	<u>700,109,976</u>
Capital and reserves			
Share capital	23	153,906,261	153,906,261
Reserves		582,814,145	546,203,715
		<u>736,720,406</u>	<u>700,109,976</u>

The financial statements on pages 15 to 45 were approved and authorised for issue by the Board of Directors on 11 June 2004 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

BALANCE SHEET

At 31 March 2004

	Notes	2004 HK\$	2003 HK\$
Non-current assets			
Property, plant and equipment	15	–	–
Interests in subsidiaries	16	424,381,730	428,741,784
Interests in associates	17	19,596,858	25,446,858
		<u>443,978,588</u>	<u>454,188,642</u>
Current assets			
Trade and other receivables		109,190	109,190
Bank balances and cash		147,253	135,330
		<u>256,443</u>	<u>244,520</u>
Current liabilities			
Trade and other payables		175,643	209,781
Secured bank loans – due within one year	21	20,000,000	25,000,000
Bank overdrafts – secured		14,599,265	16,011,719
		<u>34,774,908</u>	<u>41,221,500</u>
Net current liabilities		<u>(34,518,465)</u>	<u>(40,976,980)</u>
Non-current liability			
Amounts due to subsidiaries	22	164,445,635	164,177,531
		<u>245,014,488</u>	<u>249,034,131</u>
Capital and reserves			
Share capital	23	153,906,261	153,906,261
Reserves	24	91,108,227	95,127,870
		<u>245,014,488</u>	<u>249,034,131</u>

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Share capital HK\$	Share premium HK\$	Investment property revaluation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
THE GROUP							
At 1 April 2002							
– as previously reported	153,906,261	72,818,414	213,555,102	2,662,000	4,617,188	260,690,718	708,249,683
– adjustment on adoption of SSAP 12 (Revised)	–	–	–	–	–	(4,669,253)	(4,669,253)
– as restated	153,906,261	72,818,414	213,555,102	2,662,000	4,617,188	256,021,465	703,580,430
Share of reserve movement of an associate during the year	–	–	(3,520,000)	–	–	–	(3,520,000)
Deficit on revaluation	–	–	(21,349,862)	–	–	–	(21,349,862)
Net loss not recognised in the income statement	–	–	(24,869,862)	–	–	–	(24,869,862)
Realised on disposal of investment properties	–	–	670,624	–	–	–	670,624
Profit for the year	–	–	–	–	–	29,039,722	29,039,722
Dividends declared	–	–	–	–	8,618,750	(8,618,750)	–
Dividends paid	–	–	–	–	(8,310,938)	–	(8,310,938)
At 31 March 2003 and 1 April 2003	153,906,261	72,818,414	189,355,864	2,662,000	4,925,000	276,442,437	700,109,976
Share of reserve movement of an associate during the year	–	–	6,230,000	–	–	–	6,230,000
Surplus on revaluation	–	–	15,068,457	–	–	–	15,068,457
Net gain not recognised in the income statement	–	–	21,298,457	–	–	–	21,298,457
Realised on disposal of investment properties	–	–	5,238,230	–	–	–	5,238,230
Profit for the year	–	–	–	–	–	18,692,493	18,692,493
Dividends declared	–	–	–	–	12,928,126	(12,928,126)	–
Dividends paid	–	–	–	–	(8,618,750)	–	(8,618,750)
At 31 March 2004	<u>153,906,261</u>	<u>72,818,414</u>	<u>215,892,551</u>	<u>2,662,000</u>	<u>9,234,376</u>	<u>282,206,804</u>	<u>736,720,406</u>

The investment property revaluation reserve of the Group includes approximately HK\$58,680,000 (2003: HK\$52,450,000) retained by associates of the Group. The accumulated profits of the Group includes approximately HK\$84,128,214 (2003: HK\$78,801,823) retained by associates of the Group.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

	2004 HK\$	2003 HK\$
Profit before taxation	21,771,083	31,525,364
Adjustment for:		
Share of results of associates	(6,756,965)	(7,883,153)
Interest income	(3,835,908)	(5,623,357)
Interest expenses	2,725,209	4,466,614
Dividend income	(31,000)	–
Loss on disposal of investment properties	5,995,266	481,962
Gain on disposal of property, plant and equipment	(30,000)	–
Depreciation	762,752	744,976
Gain on disposal of other investments	(1,612,270)	(952,451)
Increase in fair value of other investments held at year end	(1,985,500)	(3,909,848)
Exchange adjustment on investment properties	(1,468,545)	(749,870)
Operating cash flows before movements in working capital	15,534,122	18,100,237
Decrease (increase) in trade and other receivables	373,626	(288,450)
(Decrease) increase in trade and other payables	(250,069)	223,065
Increase (decrease) in rental deposits from tenants	169,803	(514,628)
Cash generated from operations	15,827,482	17,520,224
Hong Kong Profits Tax paid	(1,194,134)	(1,380,041)
Hong Kong Profits Tax refunded	23,757	31,856
Net cash generated from operating activities	14,657,105	16,172,039
Investing activities		
Dividend income	31,000	–
Proceeds from disposal of other investments	63,580,986	71,395,564
Repayment from an associate	5,850,000	7,000,000
Interest received	3,835,908	5,623,357
Proceeds from disposal of investment properties	3,876,164	2,520,912
Deposit received upon sale of properties	3,000,000	–
Purchase of other investments	(51,827,213)	(65,036,109)
Purchase of property, plant and equipment	(1,161,095)	(54,812)
Proceeds from disposal of property, plant and equipment	30,000	–
Net cash generated from investing activities	27,215,750	21,448,912
Financing activities		
Repayment of bank loans	(209,940,316)	(147,164,399)
Dividend paid	(8,618,750)	(8,310,938)
Interest paid	(2,725,209)	(4,466,614)
New bank loans raised	181,623,405	122,000,000
Net cash used in financing	(39,660,870)	(37,941,951)
Increase (decrease) in cash and cash equivalents	2,211,985	(321,000)
Cash and cash equivalents at beginning of the year	2,970,325	3,291,325
Cash and cash equivalents at end of the year	5,182,310	2,970,325
Analysis of the balances of cash and cash equivalents		
Bank deposits	–	18,000,000
Bank balance and cash	19,781,575	982,044
Bank overdrafts	(14,599,265)	(16,011,719)
	5,182,310	2,970,325

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 16 and 17 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) Income taxes (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants (“HKSA”). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. The balance of accumulated profits at 1 April 2002 has been reduced by HK\$4,669,253, which is the cumulative effect of the change in policy on the results for periods prior to 2002. The balance on the Group’s interests in associates at 1 April 2002 has been reduced by HK\$2,329,855 and deferred tax liabilities have been increased by HK\$2,457,311 representing the Group’s share of deferred tax liability recognised in respect of the revaluation surplus on the properties of the subsidiaries and associates at that date. And the deferred tax assets have been increased by HK\$117,913 relating to the depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for.

As a result of this change in policy, the profit for the year ended 31 March 2004 has decreased by HK\$1,323,488 (2003: decreased by HK\$669,545). At 31 March 2004, total assets have decreased by HK\$3,398,171 (31 March 2003: decreased by HK\$2,617,976) and total liabilities have increased by HK\$3,264,115 (31 March 2003: increased by HK\$2,720,822). The new accounting policy has been adopted retrospectively, with the opening balances of accumulated profits and reserves and comparative amounts adjusted for the prior periods as disclosed in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in securities

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the lease
Buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit for the year.

In preparing consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are nonassessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Sale of investments is recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Operating leases

Leases of assets in respect of which substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over such term of the relevant lease.

Retirement benefits scheme

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER

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

	2004 HK\$	2003 HK\$
Property rental income	28,595,207	30,982,373
Sales of other investments	63,580,986	71,395,564
	<u>92,176,193</u>	<u>102,377,937</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions - property leasing and securities investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Turnover	<u>28,595,207</u>	<u>63,580,986</u>	<u>92,176,193</u>
Segment result	<u>9,785,647</u>	<u>7,953,680</u>	17,739,327
Profit from operations			17,739,327
Finance costs			(2,725,209)
Share of results of associates	<u>6,756,965</u>	<u>–</u>	6,756,965
Profit before taxation			21,771,083
Taxation			<u>(3,078,590)</u>
Profit for the year			<u>18,692,493</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Assets			
Segment assets	651,241,893	64,746,729	715,988,622
Interests in associates	162,405,468	–	162,405,468
	<u>813,647,361</u>	<u>64,746,729</u>	<u>878,394,090</u>
Liabilities			
Segment liabilities	<u>23,308,015</u>	<u>121,738</u>	23,429,753
Bank borrowings			117,213,474
Tax liabilities			1,030,457
			<u>141,673,684</u>

OTHER INFORMATION

For the year ended 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	1,161,095	–	1,161,095
Depreciation	<u>762,752</u>	<u>–</u>	<u>762,752</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

INCOME STATEMENT

For the year ended 31 March 2003

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$ (Restated)
Turnover	<u>30,982,373</u>	<u>71,395,564</u>	<u>102,377,937</u>
Segment result	<u>17,642,779</u>	<u>10,466,046</u>	<u>28,108,825</u>
Profit from operations			28,108,825
Finance costs			(4,466,614)
Share of results of associates	<u>7,883,153</u>	<u>—</u>	<u>7,883,153</u>
Profit before taxation			31,525,364
Taxation			<u>(2,485,642)</u>
Profit for the year			<u>29,039,722</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2003

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$ (Restated)
Assets			
Segment assets	635,867,968	75,615,948	711,483,916
Interests in associates	156,698,278	–	156,698,278
	<u>792,566,246</u>	<u>75,615,948</u>	<u>868,182,194</u>
Liabilities			
Segment liabilities	<u>126,909,565</u>	<u>40,000,000</u>	166,909,565
Tax liabilities			<u>1,162,653</u>
			<u>168,072,218</u>

OTHER INFORMATION

For the year ended 31 March 2003

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	54,812	–	54,812
Depreciation	<u>744,976</u>	<u>–</u>	<u>744,976</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. INTEREST INCOME

	2004 HK\$	2003 HK\$
Interest income from bank deposits and balances	20,606	19,610
Interest income from other investments	3,815,302	5,603,747
	<u>3,835,908</u>	<u>5,623,357</u>

7. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration	210,000	300,000
Depreciation	762,752	744,976
Staff costs (including Directors' remuneration)	7,304,016	7,368,239
Mandatory provident fund contributions	78,732	70,254
Total staff costs	7,382,748	7,438,493
and after crediting:		
Exchange gain	1,468,545	212,246
Dividend income	31,000	–
Gain on disposal of property, plant and equipment	30,000	–
Gain on disposal of other investments	1,612,270	952,451
Gross rental income from investment properties	28,595,207	30,982,373
Less: Outgoings	1,879,357	2,015,590
Net rental income	<u>26,715,850</u>	<u>28,966,783</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

8. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on bank borrowings		
wholly repayable within five years	2,068,850	1,211,760
not wholly repayable within five years	656,359	3,254,854
	<u>2,725,209</u>	<u>4,466,614</u>

9. DIRECTORS' REMUNERATION

	2004 HK\$	2003 HK\$
Directors' fees		
Executive Directors	–	–
Non-Executive Director	50,000	50,000
Independent Non-Executive Directors	100,000	100,000
Other emoluments (Executive Directors)		
Salaries and other benefits (<i>Note</i>)	6,140,100	6,228,700
Mandatory provident fund contributions	15,000	12,000
	<u>6,305,100</u>	<u>6,390,700</u>

Note: The amount includes rateable value of HK\$696,600 (2003: HK\$790,200), being rent-free accommodation provided to a director by the Company.

Remuneration of the Directors are within the following bands:

	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	4	4
HK\$5,000,001 – HK\$5,500,000	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2003: two) were Directors of the Company whose emoluments were included in note 9. The emoluments of the remaining three (2003: three) individuals were as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	967,300	937,300
Mandatory provident fund contributions	33,965	33,965
	<u>1,001,265</u>	<u>971,265</u>

The aggregate emoluments of each of the remaining three (2003: three) highest paid individuals during the years ended 31 March 2004 and 31 March 2003 were within the HK\$1,000,000 band.

During the years ended 31 March 2004 and 31 March 2003, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2004 HK\$	2003 HK\$ (Restated)
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	1,038,181	967,491
Overprovision in prior years	–	(735)
	<u>1,038,181</u>	<u>966,756</u>
Share of tax on results of associates	716,921	849,341
	<u>1,755,102</u>	<u>1,816,097</u>
Deferred tax (<i>Note 25</i>)		
Current year	355,557	253,183
Attributable to a change in tax rate	255,077	–
Share of taxation attributable to associates	712,854	416,362
	<u>3,078,590</u>	<u>2,485,642</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

11. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 March 2004.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax assets not provided for in the year are set out in note 25.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004 HK\$	2003 HK\$
Profit before taxation	<u>21,771,083</u>	<u>31,525,364</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	3,809,939	5,044,056
Tax effect of expenses not deductible for tax purpose	3,701,687	2,126,318
Tax effect of income not taxable for tax purpose	(5,600,089)	(4,985,535)
Tax effect of tax losses not recognised	157,290	119,788
Over-provision in respect of prior year	(9,385)	(735)
Utilisation of tax losses previously not recognised	<u>(304,340)</u>	<u>(487,795)</u>
Tax effect for the year	<u>1,755,102</u>	<u>1,816,097</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

12. DIVIDENDS

	2004 HK\$	2003 HK\$
Interim, paid – HK1.2 cents per share (2003: HK1.2 cents per share)	3,693,750	3,693,750
Final, proposed – HK1.8 cents per share (2003: HK1.6 cents per share)	5,540,626	4,925,000
Special, proposed – HK1.2 cents per share (2003: Nil)	3,693,750	–
	<hr/>	<hr/>
	<u>12,928,126</u>	<u>8,618,750</u>

The final dividend of HK1.8 cents per share and the special dividend of HK\$1.2 cents per share have been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$18,692,493 (2003: HK\$29,039,722) and on 307,812,522 (2003: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
VALUATION	
At 1 April 2003	598,342,170
Exchange adjustment	1,468,545
Transfer to property, plant and equipment	(2,043,562)
Disposals	(4,633,200)
Surplus on revaluation	<u>15,068,457</u>
At 31 March 2004	<u>608,202,410</u>

The investment properties of the Group were revalued at 31 March 2004 on an open market value existing use basis by Vigers Hong Kong Limited, Chartered Surveyors and Johnston, Ross & Cheng Ltd., independent valuers. The surplus arising on revaluation has been credited to the investment property revaluation reserve.

The carrying amount of investment properties shown above comprises:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Properties in Hong Kong under medium-term leases	594,190,000	583,130,000
Properties outside Hong Kong		
Freehold	13,232,410	9,931,570
Medium-term lease	–	4,633,200
Long lease	<u>780,000</u>	<u>647,400</u>
	<u>608,202,410</u>	<u>598,342,170</u>

All the investment properties of the Group are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under medium-term lease in Hong Kong HK\$	Furniture and office equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
THE GROUP					
COST					
At 1 April 2003	18,035,433	3,305,486	4,250,665	6,149,994	31,741,578
Additions	–	44,600	–	1,116,495	1,161,095
Disposals	–	–	–	(1,180,680)	(1,180,680)
Transfer from investment properties	2,307,553	–	–	–	2,307,553
At 31 March 2004	20,342,986	3,350,086	4,250,665	6,085,809	34,029,546
DEPRECIATION					
At 1 April 2003	1,921,726	3,117,602	3,358,557	6,149,994	14,547,879
Provided for the year	220,664	110,770	242,038	189,280	762,752
Eliminated on disposals	–	–	–	(1,180,680)	(1,180,680)
Transfer from investment properties	263,991	–	–	–	263,991
At 31 March 2004	2,406,381	3,228,372	3,600,595	5,158,594	14,393,942
NET BOOK VALUES					
At 31 March 2004	<u>17,936,605</u>	<u>121,714</u>	<u>650,070</u>	<u>927,215</u>	<u>19,635,604</u>
At 31 March 2003	<u>16,113,707</u>	<u>187,884</u>	<u>892,108</u>	<u>–</u>	<u>17,193,699</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and office equipment <i>HK\$</i>
THE COMPANY	
COST	
At 1 April 2003 and 31 March 2004	258,636
DEPRECIATION	
At 1 April 2003 and 31 March 2004	<u>258,636</u>
NET BOOK VALUE	
At 31 March 2004 and 31 March 2003	<u><u>–</u></u>

16. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Unlisted shares, at cost less impairment loss	48,528,428	48,528,428
Amounts due from subsidiaries less allowance	<u>375,853,302</u>	<u>380,213,356</u>
	<u><u>424,381,730</u></u>	<u><u>428,741,784</u></u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

16. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$2	Investment holding
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK\$2	Inactive
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Hokin Investment Limited	The British Virgin Islands/ Hong Kong	US\$1	Securities investment
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Property investment
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US\$1	Property investment
Longo Investment Company Limited	Hong Kong	HK\$2	Property investment
Pomeroy Company Limited	Hong Kong	HK\$2	Property investment
Spark View Limited	Hong Kong	HK\$20	Property investment
Strongfort Company Limited	Hong Kong	HK\$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK\$2	Property investment
Tern China Investments Limited	Hong Kong	HK\$2	Property investment
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

All subsidiaries are directly owned by the Company except Zepersing Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$ (Restated)	2004 HK\$	2003 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	142,808,642	131,251,452	–	–
Amount due from an associate	<u>19,596,826</u>	<u>25,446,826</u>	<u>19,596,826</u>	<u>25,446,826</u>
	<u>162,405,468</u>	<u>156,698,278</u>	<u>19,596,858</u>	<u>25,446,858</u>

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2004 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital HK\$	Percentage of equity attributable to the Group	Principal activities
Milsons Investment Limited	Hong Kong	110	27.27%	Not yet commence business
Spirit Fidelity Limited	Hong Kong	2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	2	50.00%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

17. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of the Group's principal associate, Win Easy Development Limited:

Operating results for the year ended 31 March:

	2004 HK\$	2003 HK\$
Turnover	18,912,982	19,651,716
Depreciation	22,294	22,295
Profit before taxation	<u>13,513,931</u>	<u>15,766,306</u>
Profit before taxation attributable to the Group	<u>6,756,965</u>	<u>7,883,153</u>

Financial position at 31 March:

	2004 HK\$	2003 HK\$ (Restated)
Non-current assets	338,905,707	326,468,001
Current assets	950,376	614,711
Current liabilities	(15,045,208)	(8,193,784)
Non-current liabilities	<u>(39,193,653)</u>	<u>(56,386,087)</u>
Shareholders' funds	<u>285,617,222</u>	<u>262,502,841</u>
Shareholders' funds attributable to the Group	<u>142,808,611</u>	<u>131,251,421</u>

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$443,156 (2003: HK\$331,070) with defined credit policy. The rental income is invoiced in advance and settlement is expected upon receipt of billing.

All the rental receivable at the balance sheet date had an aging of less than 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

19. OTHER INVESTMENTS

	2004 HK\$	2003 HK\$
THE GROUP		
Listed overseas debt securities	59,729,505	71,544,057
Equity securities listed in Hong Kong	3,658,549	–
	<u>63,388,054</u>	<u>71,544,057</u>
Market value	<u>63,388,054</u>	<u>71,544,057</u>

20. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$500,629 (2003: HK\$474,605).

All the rental receipt in advance at the balance sheet date had an aging of less than 90 days.

21. SECURED BANK LOANS

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
The secured bank loans are repayable as follows:				
Within one year	97,247,976	51,643,027	20,000,000	25,000,000
More than one year but not exceeding two years	255,343	11,999,181	–	–
More than two years but not exceeding five years	812,441	38,222,887	–	–
More than five years	4,298,449	29,066,025	–	–
	<u>102,614,209</u>	<u>130,931,120</u>	<u>20,000,000</u>	<u>25,000,000</u>
Less: Amount due within one year	(97,247,976)	(51,643,027)	(20,000,000)	(25,000,000)
	<u>5,366,233</u>	<u>79,288,093</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

22. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	2004	2003	2004 HK\$	2003 HK\$
THE COMPANY				
Authorised:				
At 1 April and 31 March	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
At 1 April and 31 March	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906,261</u>	<u>153,906,261</u>

24. RESERVES

	Share premium account HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
THE COMPANY					
1 April 2002	72,818,414	2,662,000	4,617,188	21,773,035	101,870,637
Profit for the year	–	–	–	1,568,171	1,568,171
Dividends declared	–	–	8,618,750	(8,618,750)	–
Dividends paid	–	–	(8,310,938)	–	(8,310,938)
<hr/>					
At 31 March 2003 and					
1 April 2003	72,818,414	2,662,000	4,925,000	14,722,456	95,127,870
Profit for the year	–	–	–	4,599,107	4,599,107
Dividends declared	–	–	12,928,126	(12,928,126)	–
Dividends paid	–	–	(8,618,750)	–	(8,618,750)
<hr/>					
At 31 March 2004	<u>72,818,414</u>	<u>2,662,000</u>	<u>9,234,376</u>	<u>6,393,437</u>	<u>91,108,227</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

24. RESERVES (Continued)

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK\$15,627,813 (2003: HK\$19,647,456) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year and prior years:

	Accelerated tax depreciation HK\$	Revaluation of properties HK\$
THE GROUP		
At 1 April 2002		
– as previously reported	–	–
– adjustment on adoption of SSAP 12 (Revised)	117,913	(2,457,311)
– as restated	117,913	(2,457,311)
Credit (charge) to income statement for the year	10,328	(263,511)
At 1 April 2003	128,241	(2,720,822)
Charge to income statement for the year	(67,341)	(288,216)
Effect of change in tax rate – charge to income statement	–	(255,077)
At 31 March 2004	<u>60,900</u>	<u>(3,264,115)</u>

At the balance sheet date, the Group has unused tax losses of HK\$11,926,523 (2003: HK\$13,317,264) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams and those losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

26. PENSIONS SCHEME

The Group operates Mandatory Provident Fund scheme (the “MPF”) for all existing staff members of the Group.

The MPF is defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff’s relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group’s contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group’s cost for the MPF charged to income statement for the year ended 31 March 2004 amounted to HK\$78,732 (2003: HK\$70,254). At 31 March 2004, contributions due in respect of the reporting period had been fully paid over to the MPF.

27. PLEDGE OF ASSETS

At the balance sheet date, the Group’s banking facilities amounting to HK\$226,062,000 (2003: HK\$235,948,000) were fully secured by its land and buildings and investment properties with an aggregate carrying value amounting to HK\$536,629,016 (2003: HK\$523,045,279). These facilities were utilised to the extent of HK\$117,213,474 (2003: HK\$146,942,839) as at the balance sheet date.

28. 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	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Subsidiaries	<u>–</u>	<u>–</u>	<u>77,114,501</u>	<u>95,885,519</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	HK\$	HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	<u>576,000</u>	<u>576,000</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Within one year	48,000	576,000
In the second to fifth year inclusive	<u>—</u>	<u>48,000</u>
	<u>48,000</u>	<u>624,000</u>

Operating lease payments represent rentals payable by the Group for the quarters of a director. Leases are negotiated and rentals are fixed annually.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 5% (2003: 5%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	21,755,838	24,920,981
In the second to fifth year inclusive	<u>9,362,246</u>	<u>12,770,561</u>
	<u><u>31,118,084</u></u>	<u><u>37,691,542</u></u>

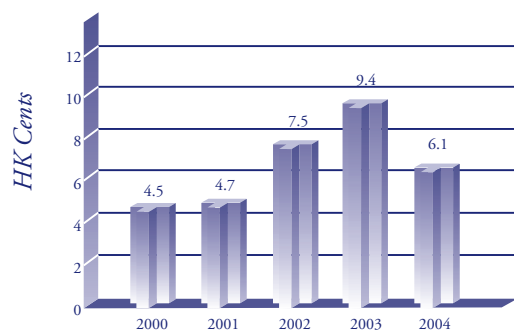
30. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, three subsidiaries of the Group, namely, Grademark Limited, Kingunit Company Limited and Pomeroy Company Limited, entered into an agreement with an independent third party regarding the disposal of investment properties, at a total consideration of HK\$15,000,000, resulting in a loss on disposal of approximately HK\$3,000,000.

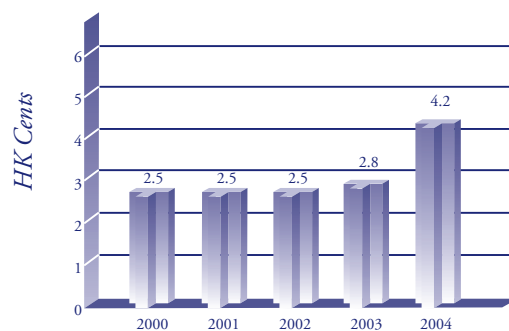
FIVE-YEAR FINANCIAL SUMMARY

	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated) <i>(Note)</i>	2004 <i>HK\$'000</i>
Turnover	<u>33,264</u>	<u>39,625</u>	<u>43,104</u>	<u>102,378</u>	<u>92,176</u>
Profit for the year	<u>13,983</u>	<u>14,486</u>	<u>23,119</u>	<u>29,040</u>	<u>18,692</u>
Earnings per share	<u>HK4.5 cents</u>	<u>HK4.7 cents</u>	<u>HK7.5 cents</u>	<u>HK9.4 cents</u>	<u>HK6.1 cents</u>
Dividends per share	<u>HK2.5 cents</u>	<u>HK2.5 cents</u>	<u>HK2.5 cents</u>	<u>HK2.8 cents</u>	<u>HK4.2 cents</u>
Total assets	<u>868,953</u>	<u>873,793</u>	<u>899,839</u>	<u>868,182</u>	<u>878,394</u>
Total liabilities	<u>181,099</u>	<u>167,647</u>	<u>191,589</u>	<u>168,072</u>	<u>141,674</u>
Total shareholders' funds	<u>687,854</u>	<u>706,146</u>	<u>708,250</u>	<u>700,110</u>	<u>736,720</u>

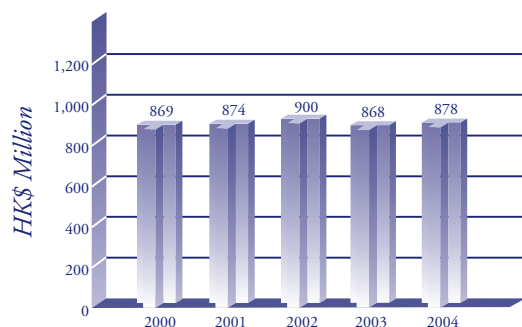
Note: The figures for 2003 have been restated to reflect the adoption of the SSAP 12 (Revised)



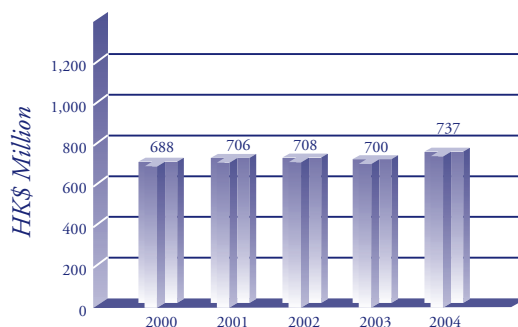
EARNINGS PER SHARE



DIVIDENDS PER SHARE



TOTAL ASSETS



TOTAL SHAREHOLDERS' FUNDS

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of properties held by the Group at 31 March 2004 are as follows:

I. Land and buildings

	Location	Use	Category of lease	Group's interests
	Hong Kong			
1.	The whole of 26th, 27th and 28th floors, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Office	Medium-term	100%
2.	Flat No. 59 on 15th floor, Tower 9 and car parking space nos. 66 and 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Directors' quarters	Medium-term	100%

II. Investment properties

	Location	Use	Category of lease	Group's interests
	Hong Kong			
1.	Shops No. G15 and G16 on ground floor and Shop No. 8 on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
2.	Shop No. G17 on ground floor and Shop No. 9A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
3.	Shop No. G21 on ground floor and Shop No. 11A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. Investment properties *(Continued)*

	Location	Use	Category of lease	Group's interests
Hong Kong				
4.	Shops No. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
5.	The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Medium-term	100%
6.	The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Medium-term	100%
7.	The whole of ground floor, 1st, 2nd, 3rd and 5th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
8.	The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9.	The whole of basement, ground floor, 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
10.	The whole of 9th floor, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
11.	Ground floor, 1st and 3rd floors, 4th floor with flat roof, 5th, 6th, 9th and 10th floors, 11th floor with top roof and five car parks on ground floor, Woo Hing Industrial Building, 18 Chi Kiang Street, Kowloon	Industrial	Medium-term	100%
12.	The whole of 4th floor, 31 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. Investment properties *(Continued)*

	Location	Use	Category of lease	Group's interests
Hong Kong				
13.	Flat B on 4th floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%
14.	Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong	Carpark	Medium-term	100%
Canada				
1.	Suites No. 406, 1906, 2406, 2904, 3104 and 3201 with one carpark for each suite, Pointe Claire, 1238 Melville Street Vancouver, British Columbia	Residential	Freehold	100%
The People's Republic of China				
1.	Unit 2 on 17th floor, Block 1, Shanghai Hongkou International Apartments, 88 Si Ping Road, Hongkou, Shanghai	Residential	Long-term	100%