



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 2008

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 2008 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000 (Restated)
Turnover	2	60,033	48,430
Property expenses		<u>(2,959)</u>	<u>(2,970)</u>
Gross profit		57,074	45,460
Loss on disposal of investments held for trading		(50)	(3)
Unrealised (loss) gain on investments held for trading		(1,869)	717
Interest income		4,110	2,613
Other operating income		994	779
Increase in fair value of investment properties		304,524	54,805
Gain on disposal of investment properties		1,986	–
Administrative expenses		<u>(18,607)</u>	<u>(17,255)</u>
Profit from operations		348,162	87,116
Finance costs		(20,119)	(9,279)
Share of results of associates		<u>25,487</u>	<u>15,248</u>
Profit before taxation		353,530	93,085
Taxation	5	<u>(5,450)</u>	<u>(4,036)</u>
Profit for the year		<u><u>348,080</u></u>	<u><u>89,049</u></u>
Dividends	6	<u><u>13,236</u></u>	<u><u>12,312</u></u>
Earnings per share	7	<u><u>HK\$1.13</u></u>	<u><u>HK\$0.29</u></u>

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties		1,729,140	1,378,664
Property, plant and equipment		9,722	4,529
Leasehold land		73,931	15,938
Interests in associates		303,408	284,831
Available-for-sale investments		<u>2,160</u>	<u>2,160</u>
		<u>2,118,361</u>	<u>1,686,122</u>
Current assets			
Trade and other receivables	8	4,670	4,597
Investments held for trading		8,577	30,647
Leasehold land – current portion		1,036	93
Tax recoverable		393	–
Time deposits, bank balances and cash		<u>31,998</u>	<u>68,376</u>
		<u>46,674</u>	<u>103,713</u>
Current liabilities			
Trade and other payables	9	11,467	8,383
Rental deposits from tenants		17,321	14,317
Tax liabilities		1,733	3,158
Other loans		–	846
Amount due to an associate		29,990	–
Secured bank loans – due within one year		<u>470</u>	<u>209</u>
		<u>60,981</u>	<u>26,913</u>
Net current (liabilities) assets		<u>(14,307)</u>	<u>76,800</u>
Non-current liabilities			
Deferred tax liabilities		13,138	11,233
Secured bank loans – due after one year		<u>411,044</u>	<u>407,276</u>
		<u>424,182</u>	<u>418,509</u>
Net assets		<u><u>1,679,872</u></u>	<u><u>1,344,413</u></u>
Capital and reserves			
Share capital		153,906	153,906
Reserves		<u>1,525,966</u>	<u>1,190,507</u>
		<u><u>1,679,872</u></u>	<u><u>1,344,413</u></u>

Notes:

1. BASIS OF PREPARATION

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

2. TURNOVER

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

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Geographical segments

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

4. PROFIT FROM OPERATIONS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	280	262
Depreciation	1,280	1,241
Amortisation of leasehold land	721	93
Loss on disposal of investments held for trading	50	3
Staff costs (including Directors' remuneration)	9,095	7,744
Mandatory provident fund contributions	96	91
Total staff costs	<u>9,191</u>	<u>7,835</u>
and after crediting:		
Exchange gain	881	189
Gross rental income from investment properties	60,033	48,430
Less: Direct operating expenses from investment properties that generated rental income	(2,722)	(2,576)
Direct operating expenses from investment properties that did not generate rental income	(237)	(394)
Net rental income	<u><u>57,074</u></u>	<u><u>45,460</u></u>

5. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	2,330	2,168
Over provision in prior years	<u>(78)</u>	<u>—</u>
	2,252	2,168
Other jurisdiction	<u>1,293</u>	<u>35</u>
	3,545	2,203
Deferred tax		
Current year	<u>1,905</u>	<u>1,833</u>
	<u><u>5,450</u></u>	<u><u>4,036</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Those tax losses may be carried forward indefinitely.

6. DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim, paid – HK1.6 cents per share (2007: HK1.5 cents per share)	4,925	4,617
Final, proposed – HK2.7 cents per share (2007: HK2.5 cents per share)	<u>8,311</u>	<u>7,695</u>
	<u><u>13,236</u></u>	<u><u>12,312</u></u>

The final dividend of HK2.7 cents per share (2007: HK2.5 cents per share) has been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

7. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK\$348,079,741 (2007: HK\$89,049,028) and on 307,812,522 (2007: 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.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$820,789 (2007: HK\$682,010) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing.

At the balance sheet date, HK\$772,789 of the rental receivable had an age of less than 90 days and HK\$48,000 of the rental receivable had an age of more than 90 days.

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

9. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$967,779 (2007: HK\$982,206).

At the balance sheet date, HK\$961,779 of the rental receipt in advance had an age of less than 90 days and HK\$6,000 of the rental receipt in advance had an age of more than 90 days.

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

10. 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	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subsidiaries	–	–	411,513	407,485
Associates	55,000	52,500	55,000	52,500
	55,000	52,500	466,513	459,985

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

11. COMPARATIVE FIGURES

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

DIVIDENDS

The Board recommends the payment of a final dividend of HK2.7 cents (2007: HK2.5 cents) per share payable to the shareholders whose names appear on the Register of Members on 1 August 2008. This dividend, together with the interim dividend of HK1.6 cents per share already paid in January 2008, will make a total distribution of HK4.3 cents (2007: HK4.0 cents) per share for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 1 August 2008 to Friday, 8 August 2008, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend and to determine the identity of the shareholders entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 July 2008. It is expected that the final dividend warrants will be despatched to shareholders on or about 13 August 2008.

BUSINESS REVIEW

Hong Kong

The local economy continued to maintain its robust pace throughout the year. The rental value and capital value of the Group's shops and office properties increased significantly during the year.

The Group's gross rental income for the year was HK\$60.0 million. In addition, the Group's share of gross rental income from an associate was HK\$12.4 million. Therefore the total gross rental income attributable to the Group amounted to HK\$72.4 million, representing an increase of 21.6% over that of the previous year. The substantial increase in rental income was due to the full year rental contribution from the acquisition of the commercial building, The Wave on 184 Nathan Road and the continuing increase in the rental rate of the Group's shops and office properties upon lease renewal.

During the year, the Group purchased a shop property on the ground floor of Wing Lock House on No. 3 Lock Road in Tsimshatsui for a cash consideration of HK\$33.5 million. The Group also purchased Shop H on the ground floor of Carnarvon Mansion on Nos. 8-12E Carnarvon Road in Tsimshatsui for a cash consideration of HK\$22.8 million. The purchases were completed in the first quarter of 2008. The properties are expected to generate substantial rental income for the Group.

The Group's investment properties recorded a total increase in capital value of HK\$304.5 million for the year based on professional revaluation. In addition, the Group recorded an increase in capital value of HK\$21.0 million attributable from the investment properties of an associated company.

The Group sold a majority of its investment in offshore debt securities during the year. The investments generated a total of HK\$2.5 million interest income for the year. In addition, HK\$1.6 million interest income was generated from bank deposits.

Overseas

The Group sold three residential suites in Pointe Claire in the City of Vancouver, Canada during the year. The remaining three suites have been leased for rental income purpose.

PROSPECTS

The international oil price is at record high level. The housing market in the United States will continue its correction course amid the subprime loan crisis. The turbulence in international finance is expected to continue with the slowing down global economy. Meanwhile the outlook of the Hong Kong economy is prudently optimistic amid the low interest rate environment and reducing income tax rate.

In the local residential property market, trading activities and selling price have increased substantially due to the brisk local economy. The market should remain buoyant for the year. In the commercial property market, the capital value of prime shops and whole block commercial buildings have increased significantly and will remain at a high level while the rental value of these properties will increase at a steady pace.

The Group's rental income will continue to increase next year due to the purchase of two shop properties in Tsimshatsui early this year and the renewal of leases at higher rental rates for the other investment properties. The Group is in an excellent financial position and will continue to search for suitable investment opportunities.

FINANCIAL OPERATION REVIEW

Operation

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

The Group's gross rental income for the year ended 31 March 2008 amounted to HK\$60.0 million (2007: HK\$48.4 million), an increase of 24.0% from last year. The increase was due to the full year rental contribution from the acquisition of the commercial building, The Wave on 184 Nathan Road in early 2007 and the continuing increase in the rental rate of the Group's shops and office properties. At 31 March 2008, the Group held investment properties amounting to HK\$1,729.1 million (2007: HK\$1,378.7 million), an increase of HK\$350.4 million from last year. The increase was due to the purchase of two shop properties and the capital value appreciation of the Group's property portfolio during the year. The Group's share of gross rental income from an associate amounted to HK\$12.4 million (2007: HK\$11.2 million), an increase of 11.2% from last year. The Group's rental portfolio continued to achieve a high average occupancy rate of 98% during the year.

The Group's interest income generated from debt securities investments and bank deposits for the year ended 31 March 2008 amounted to HK\$4.1 million (2007: HK\$2.6 million), an increase of HK\$1.5 million from last year. At 31 March 2008, the Group held debt securities investments in the sum of HK\$8.6 million (2007: HK\$30.6 million), a decrease of HK\$22.0 million from last year.

Results

The Group's profit for the year ended 31 March 2008 amounted to HK\$348.1 million (2007: HK\$89.0 million), an increase of 2.9 times from last year. The increase was due primarily to the substantial increase in the fair value of investment properties of the Group and its associate upon revaluation at the balance sheet date compared with those of last year. The other factors for the increase in the profit for the year included higher rental income and interest income partially offset by higher interest expense and unrealised loss on investments held for trading. The Group's share of results of associates after taxation amounted to HK\$25.5 million (2007: HK\$15.2 million), an increase of 67.2% from last year. The increase was due to the higher increase in the fair value of investment properties of an associate upon revaluation at the balance sheet date compared with those of last year.

Earnings per share for the year ended 31 March 2008 were HK\$1.13 (2007: HK\$0.29). The proposed final dividend of HK2.7 cents (2007: HK2.5 cents) per share will make a total distribution of interim and final dividends of HK4.3 cents (2007: HK4.0 cents) per share for the full year, an increase of HK0.3 cent from last year.

Bank and Other Borrowings and Finance Costs

At 31 March 2008, the Group's banking facilities amounting to HK\$569.2 million (2007: HK\$512.2 million) were fully secured by its investment properties and land and building with an aggregate carrying value amounting to HK\$1,591.6 million (2007: HK\$1,218.9 million). At 31 March 2008, these facilities were utilised to the extent of HK\$411.5 million (2007: HK\$407.5 million).

At 31 March 2008, the total amount of outstanding bank borrowings net of time deposits, bank balances and cash of HK\$32.0 million were HK\$379.5 million (2007: HK\$339.1 million), an increase of HK\$40.4 million from last year. The increase was due to bank financing for the purchase of investment and other properties during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was at 22.6% (2007: 25.2%).

Of the total bank loans at 31 March 2008, 0.1% were repayable within one year, 99.9% were repayable after one year but within five years. No bank loans were repayable after five years.

At 31 March 2008, the amount due to an associate was HK\$30.0 million. This amount was repaid subsequent to balance sheet date.

The Group's finance costs for the year ended 31 March 2008 were HK\$20.1 million (2007: HK\$9.3 million), an increase of 1.2 times from last year. The increase was due to more bank borrowings to finance the purchase of investment and other properties.

Shareholders' Funds

At 31 March 2008, the Group's shareholders' funds amounted to HK\$1,679.9 million (2007: HK\$1,344.4 million), an increase of 25.0% from last year. The net asset value per share was HK\$5.46 (2007: HK\$4.37). The increase in shareholders' funds was due primarily to the increase in the fair value of the investment properties of the Group and its associate upon revaluation at the balance sheet date.

Risk Management

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

Employees and Remuneration Policy

At 31 March 2008, the total number of staff of the Group was 12 (2007: 12). The total staff costs including Directors' remuneration amounted to HK\$9.0 million (2007: HK\$7.8 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

Neither the Company nor any of its subsidiaries has 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 2008, 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, and that the Independent Non-Executive Directors were appointed with no specific terms which was a deviation from code provision A.4.1 of the Code. Please refer to the Company's interim report for the six months ended 30 September 2007 for reasons of the deviations.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited annual accounts for the year ended 31 March 2008 with the Directors.

By Order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 13 June 2008

As at the date hereof, 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.