



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2007/2008 INTERIM REPORT

The Board of Directors of Tern Properties Company Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007, together with the comparative figures for the corresponding period in the previous year are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		Six months ended	
		30 September	
	<i>Notes</i>	2007	2006
		HK\$ '000	HK\$ '000
		(Unaudited)	(Unaudited)
Turnover		33,220	30,633
Cost of disposal of financial assets at fair value through profit or loss		(5,080)	(7,927)
Property expenses		(1,307)	(1,283)
Unrealised (loss) gain on financial assets at fair value through profit or loss		(1,702)	63
		<hr/>	<hr/>
Gross profit		25,131	21,486
Interest income		2,977	1,175
Gain on disposal of investment properties		1,131	–
Other operating income		1,112	444
Administrative expenses		(8,676)	(8,015)
		<hr/>	<hr/>
Profit from operations		21,675	15,090
Finance costs		(10,576)	(3,805)
Share of results of associates		2,855	2,646
		<hr/>	<hr/>
Profit before taxation		13,954	13,931
Taxation	4	(1,967)	(1,573)
		<hr/>	<hr/>
Profit for the period	5	11,987	12,358
		<hr/>	<hr/>
Dividend	6	4,925	4,617
		<hr/>	<hr/>
Earnings per share	7	HK3.89 cents	HK4.01 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Notes	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	1,434,468	1,378,664
Property, plant and equipment		3,886	4,529
Leasehold premiums for land		15,892	15,938
Interests in associates		284,934	284,831
Available-for-sale investments		2,160	2,160
		1,741,340	1,686,122
Current assets			
Trade and other receivables	9	3,105	4,597
Financial assets at fair value through profit or loss		39,533	30,647
Leasehold premiums for land – current portion		93	93
Time deposit, bank balances and cash		20,076	68,376
		62,807	103,713
Current liabilities			
Trade and other payables	10	7,363	8,383
Rental deposits from tenants		15,928	14,317
Tax liabilities		3,340	3,158
Other loans		–	846
Secured bank loans – due within one year		393	209
		27,024	26,913
Net current assets		35,783	76,800
Non-current liabilities			
Deferred tax liabilities		12,261	11,233
Secured bank loans – due after one year		416,158	407,276
		428,419	418,509
Net assets		1,348,704	1,344,413
Capital and reserves			
Share capital	11	153,906	153,906
Reserves		1,194,798	1,190,507
		1,348,704	1,344,413

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

(Unaudited)

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	153,906	72,818	2,662	7,080	1,030,595	1,267,061
Profit for the period	–	–	–	–	12,358	12,358
Dividends declared	–	–	–	4,617	(4,617)	–
Dividends paid	–	–	–	(7,080)	–	(7,080)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2006	<u>153,906</u>	<u>72,818</u>	<u>2,662</u>	<u>4,617</u>	<u>1,038,336</u>	<u>1,272,339</u>
At 1 April 2007	153,906	72,818	2,662	7,696	1,107,331	1,344,413
Profit for the period	–	–	–	–	11,987	11,987
Dividends declared	–	–	–	4,925	(4,925)	–
Dividends paid	–	–	–	(7,696)	–	(7,696)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	<u>153,906</u>	<u>72,818</u>	<u>2,662</u>	<u>4,925</u>	<u>1,114,393</u>	<u>1,348,704</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six month ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	20,517	37,009
Net cash used in investing activities	(57,264)	(36,046)
Net cash used in financing activities	(11,553)	(6,984)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(48,300)	(6,021)
Cash and cash equivalents at beginning of the period	68,376	23,897
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	20,076	17,876
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	6,076	1,776
Bank deposits	14,000	16,100
	<hr/>	<hr/>
	20,076	17,876
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in the Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new HKFRSs had no material effect on the results of operations and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

The Directors are in the process of assessing the potential impact and expect that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segment

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:

Six months ended 30 September 2007

	Property leasing <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>28,154</u>	<u>5,066</u>	<u>33,220</u>
Segment result	<u>21,895</u>	<u>(220)</u>	<u>21,675</u>
Profit from operations			21,675
Finance costs			(10,576)
Share of results of associates	<u>2,330</u>	<u>525</u>	<u>2,855</u>
Profit before taxation			13,954
Taxation			(1,967)
Profit for the period			<u>11,987</u>

Six months ended 30 September 2006

	Property leasing <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>22,710</u>	<u>7,923</u>	<u>30,633</u>
Segment result	<u>14,058</u>	<u>1,032</u>	<u>15,090</u>
Profit from operations			15,090
Finance costs			(3,805)
Share of results of associates	<u>3,044</u>	<u>(398)</u>	<u>2,646</u>
Profit before taxation			13,931
Taxation			(1,573)
Profit for the period			<u>12,358</u>

4. TAXATION

	Six months ended 30 September	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current period	943	975
Overprovision in prior year	(4)	—
	<u>939</u>	<u>975</u>
Deferred tax		
Current period	<u>1,028</u>	<u>598</u>
	<u><u>1,967</u></u>	<u><u>1,573</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the period.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Auditors' remuneration	140	125
Depreciation	563	550
Amortisation on leasehold premiums for land	46	46
Staff costs (including Directors' remuneration)	3,801	3,357
Mandatory provident fund contributions	48	43
	<u>3,849</u>	<u>3,400</u>
Total staff costs	3,849	3,400
and after crediting:		
Exchange gain	1,064	653
Loss on disposal of financial assets at fair value through profit or loss	(14)	(4)
Gross rental income from investment properties	28,154	22,710
Less: Outgoings		
Direct operating expenses from investment properties that generated rental income	(1,114)	(1,098)
Direct operating expenses from investment properties that did not generate rental income	(193)	(185)
	<u>(1,307)</u>	<u>(1,283)</u>
Net rental income	<u><u>26,847</u></u>	<u><u>21,427</u></u>

6. DIVIDEND

On 15 August 2007, a dividend of HK2.5 cents per share was paid to shareholders as the final dividend for 2007.

The Board of Directors has declared an interim dividend of HK1.6 cents (2006: HK1.5 cents) per share amounting to HK\$4,925,000 payable on 10 January 2008 to the shareholders whose names appear on the Register of Members on 2 January 2008.

7. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the period of HK\$11,987,000 (2006: HK\$12,358,000) and on 307,812,522 (2006: 307,812,522) ordinary shares in issue during the period.

No diluted earnings per share had been presented as there were no dilutive potential shares in issue in either period.

8. INVESTMENT PROPERTIES

The investment properties of the Group were not revalued at 30 September 2007 by independent valuers. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from those which would be determined using fair values at the balance sheet date. Consequently, no increase or decrease in fair value of investment properties has been recognised in the current period.

During the period, the Group acquired investment properties amounted to HK\$64,853,000 and disposed investment properties amounted to HK\$11,027,000.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables was rental receivable in advance of HK\$763,000 (31 March 2007: HK\$682,000) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

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

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

10. TRADE AND OTHER PAYABLES

Included in trade and other payables was rental receipt in advance of HK\$1,066,000 (31 March 2007: HK\$982,000).

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

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

11. SHARE CAPITAL

Number of ordinary shares of HK\$0.5 each		Nominal value	
30 September 2007	31 March 2007	30 September 2007	31 March 2007
		<i>HK\$'000</i>	<i>HK\$'000</i>

The Company

Authorised:	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906</u>	<u>153,906</u>

There were no movements in the share capital of the Company for the six months ended 30 September 2007.

12. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$180,000 (2006: HK\$150,000) from an associate of the Company, Win Easy Development Limited.

13. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities amounting to HK\$557,010,000 (31 March 2007: HK\$512,248,000) were fully secured by its investment properties with an aggregate carrying value amounting to HK\$1,277,296,000 (31 March 2007: HK\$1,218,851,000). These facilities were utilised to the extent of HK\$416,551,000 (31 March 2007: HK\$407,485,000) as at the balance sheet date.

14. 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	
	30 September 2007	31 March 2007	30 September 2007	31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subsidiaries	–	–	416,551	407,485
Associates	18,500	52,500	18,500	52,500
	<u>18,500</u>	<u>52,500</u>	<u>435,051</u>	<u>459,985</u>

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

15. CAPITAL COMMITMENTS

At the balance sheet date, the Group has no capital commitments.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30 September 2007 of HK1.6 cents (2006: HK1.5 cents) per share payable on 10 January 2008 to the shareholders whose names appear on the Register of Members on 2 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 2 January 2008 to Friday, 4 January 2008, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim 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 4:30 p.m. on Monday, 31 December 2007.

BUSINESS REVIEW AND PROSPECT

The Group's gross rental income including its share from an associate for the six months ended 30 September 2007 amounted to HK\$34.1 million, an increase of 20.7% from the same period of last year. The Group's profit for the period amounted to HK\$12.0 million, a decrease of 3.0% from the same period of last year. An interim dividend of HK1.6 cents per share was declared, an increase of HK0.1 cent from the same period of last year.

During the period, the Group's rental income continued to increase due to the rental contribution from the acquisition of the commercial building, The Wave on 184 Nathan Road and the upward revision of rental rates for the Group's shops and office properties. The Group's rental portfolio achieved an average occupancy rate of 96% during the period.

The Group sold two residential suites in Pointe Claire in the City of Vancouver, Canada during the period. The Group is still holding four suites for rental income purpose.

The Group continued to hold overseas debt securities for investment during the period. The Group's interest income generated from the investments in debt securities and bank deposits amounted to HK\$3.0 million, an increase of HK\$1.8 million from the same period of last year.

The central government continues to impose various macro-economic measures to control the pace of economic growth in the Mainland. The effect of these measures is flowing through to all the sectors of the economy. Therefore the Mainland economy is expected to grow in a healthier pace. Meanwhile, interest rate in the United States is declining amid the subprime mortgage crisis turning into an international financial debacle. The international financial turbulence is expected to continue into next year and have a negative impact on the global economy.

In the local residential property market, trading activities and selling price have increased significantly due to decreasing interest rate and excess liquidity. This market is expected to continue its buoyancy next year. In the local commercial property market, the capital and rental values of shops and office properties will remain at a high level due to the strong local economy. Therefore the Group's rental income is expected to continue to increase in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation

During the period, the Group continued to hold quality commercial and other properties for rental income and invest in debt securities for interest income purposes. The Group's turnover for the six months ended 30 September 2007 amounted to HK\$33.2 million (2006: HK\$30.6 million), an increase of 8.4% from the same period of last year. The increase was due to higher rental income partially offset by the decrease in debt securities trading during the period.

The Group's gross rental income for the six months ended 30 September 2007 amounted to HK\$28.2 million (2006: HK\$22.7 million), an increase of 24.0% from the same period of prior year. The increase was due to the rental contribution from The Wave and the upward revision of rental rates for the Group's investment properties upon renewal of leases during the period. The Group's share of gross rental income from an associate amounted to HK\$5.9 million (2006: HK\$5.5 million), an increase of 7.0% from the same period of last year.

The Group's turnover of securities investment for the six months ended 30 September 2007 amounted to HK\$5.1 million (2006: HK\$7.9 million), a decrease of 36.1% from the same period of last year due to the decrease in debt securities trading. At 30 September 2007, the Group held a total of HK\$39.5 million (31 March 2007: HK\$30.6 million) in investments in debt securities, an increase of HK\$8.9 million from the previous year-end.

Results

The Group's profit for the six months ended 30 September 2007 amounted to HK\$12.0 million (2006: HK\$12.4 million), a decrease of 3.0% from the same period of last year. The decrease was due to higher interest expense and the unrealised loss upon the revaluation of debt securities partially offset by higher rental income and interest income generated from investments in debt securities and bank deposits during the period. The Group's share of results of associates after taxation amounted to HK\$2.8 million (2006: HK\$2.6 million), an increase of 7.9% from the same period of last year.

Earnings per share for the six months ended 30 September 2007 were HK3.89 cents (2006: HK4.01 cents), a decrease of 3.0% from the same period of last year. The declared interim dividend was HK1.6 cents (2006: HK1.5 cents) per share, an increase of 6.7% from the same period of last year.

Bank Borrowings and Finance Costs

At 30 September 2007, the Group's banking facilities amounting to HK\$557.0 million (31 March 2007: HK\$512.2 million) were secured by its investment properties with an aggregate carrying value amounting to HK\$1,277.3 million (31 March 2007: HK\$1,218.9 million). At 30 September 2007, these facilities were utilised to the extent of HK\$416.6 million (31 March 2007: HK\$407.5 million).

At 30 September 2007, the total amount of outstanding bank borrowings net of bank deposits, bank balances and cash of HK\$20.1 million were HK\$396.5 million (31 March 2007: HK\$339.1 million), an increase of HK\$57.4 million from the previous year-end. The increase in bank borrowings was due to bank financing for the purchase of properties during the period. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was 29.4% (31 March 2007: 25.2%).

Of the total bank borrowings at 30 September 2007, 0.1% are repayable within one year, 99.6% are repayable after one year but within five years and 0.3% are repayable after five years.

The Group's finance costs for the six months ended 30 September 2007 were HK\$10.6 million (2006: HK\$3.8 million), an increase of 1.8 times from the same period of last year. The increase was due to more bank borrowings to finance the purchase of investment properties during the period.

Shareholders' Funds

At 30 September 2007, the Group's shareholders' funds amounted to HK\$1,348.7 million (31 March 2007: HK\$1,344.4 million), representing an increase of HK\$4.3 million from the previous year-end. The net asset value per share was HK\$4.38 (31 March 2007: HK\$4.37).

At 30 September 2007, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2007, the total number of staff of the Group was 11 (2006: 11). The total staff costs including Directors' emoluments amounted to HK\$3.8 million (2006: 3.4 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS

At 30 September 2007, 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 Issuers 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	172,836,896	56.15
	Interest of Controlled Corporation (<i>Note</i>)	Corporate Interest	170,800,896		
Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Chan Siu Keung, Leonard	—	—	—	—	0.00
Wong Wellington	—	—	—	—	0.00
Chan Kwok Wai	—	—	—	—	0.00
Tse Lai Han, Henry	—	—	—	—	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 144,978,000 shares of the Company. He also had a 100% interest in Evergrade Investments Limited which held 25,822,896 shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madame Chan Loo Kuo Pin, were deemed to have interests in 170,800,896 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 30 September 2007 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2007, 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
Chan Loo Kuo Pin	Interest of Spouse (Note 1)	Family Interest	172,836,896	172,836,896	56.15
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	144,978,000	144,978,000	47.10
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	144,978,000	144,978,000	47.10
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		

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 144,978,000 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 30 September 2007, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2007.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2007 with the Directors.

The Audit Committee comprises Mr. Wong Wellington, Mr. Chan Kwok Wai and Mr. Tse Lai Han, Henry.

CORPORATE GOVERNANCE

During the six months ended 30 September 2007, the Company has complied with the code provisions set out 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 (the “Listing Rules”) except the following deviations:

1. Provision A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Hoi Sow has been performing the duties of both the chairman and the chief executive officer since the establishment of the Company. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. As half of the Board comprises Independent Non-Executive Directors who are professional lawyer, accountant and engineer respectively, the balance of power and authority between the Board and the management will not be compromised.

2. Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the Independent Non-Executive Directors of the Company is appointed for a specific term. However, one-third of all the Directors are subject to retirement from office by rotation at the annual general meeting in accordance with Article 103 of the Articles of Association of the Company. The term of appointment of all the Directors is the period up to their retirement by rotation.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2007.

DIRECTORS

As at the date of this report, 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. Wong Wellington, Mr. Chan Kwok Wai and Mr. Tse Lai Han, Henry.

By Order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 7 December 2007