



## TERN PROPERTIES COMPANY LIMITED

### 太興置業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 277)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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

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

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

		30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
<b>Non-current assets</b>			
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
		<u>1,741,340</u>	<u>1,686,122</u>
<b>Current assets</b>			
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
		<u>62,807</u>	<u>103,713</u>
<b>Current liabilities</b>			
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
		<u>27,024</u>	<u>26,913</u>
<b>Net current assets</b>		<u>35,783</u>	<u>76,800</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		12,261	11,233
Secured bank loans – due after one year		416,158	407,276
		<u>428,419</u>	<u>418,509</u>
<b>Net assets</b>		<u>1,348,704</u>	<u>1,344,413</u>
<b>Capital and reserves</b>			
Share capital	11	153,906	153,906
Reserves		1,194,798	1,190,507
		<u>1,348,704</u>	<u>1,344,413</u>

## NOTES TO THE CONDENSED 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 <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>3</sup> 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

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

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:

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

## **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 <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
<b>The Company</b>				
Authorised:	<u>400,000,000</u>	400,000,000	<u>200,000</u>	200,000
Issued and fully paid:	<u>307,812,522</u>	307,812,522	<u>153,906</u>	153,906

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

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.

### **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 announcement, the Board of Directors of the Company comprises six Directors, of which three are Executive Directors, namely Mr. Chan Hoi Sow, Mr. Chan Yan Tin, Andrew and Mr. Chan Siu Keung, Leonard and three are Independent Non-Executive Directors, namely Mr. 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