



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2009/2010 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 2009, together with the comparative figures for the corresponding period in the previous year are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

		Six months ended	
		30 September	
	<i>Notes</i>	2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		33,127	32,351
Property expenses		(1,148)	(1,135)
Gross profit		31,979	31,216
Unrealised gain (loss) on investments held for trading		976	(467)
Interest income		911	384
Other operating income (expense)		751	(451)
Gain on disposal of investment properties		411	400
Administrative expenses		(9,613)	(8,737)
Profit from operations	5	25,415	22,345
Finance costs		(3,028)	(6,290)
Share of results of associates		4,600	5,667
Profit before taxation		26,987	21,722
Taxation	6	(2,963)	314
Profit for the period		24,024	22,036
Dividends	7	3,078	1,539
Earnings per share	8	HK7.81 cents	HK7.16 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	<i>Notes</i>	30 September 2009 <i>HK\$'000</i> (Unaudited)	31 March 2009 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	9	1,434,512	1,430,530
Property, plant and equipment		7,433	8,044
Leasehold land		72,377	72,895
Interests in associates		273,150	269,110
Available-for-sale investments		2,161	2,161
Loans and receivables		<u>8,110</u>	<u>8,110</u>
		<u>1,797,743</u>	<u>1,790,850</u>
Current assets			
Trade and other receivables	10	4,021	2,276
Investments held for trading		41,067	–
Leasehold land – current portion		1,036	1,036
Tax recoverable		–	107
Time deposit, bank balances and cash		<u>43,193</u>	<u>68,594</u>
		<u>89,317</u>	<u>72,013</u>
Current liabilities			
Trade and other payables	11	6,343	9,303
Rental deposits from tenants		19,689	16,905
Tax liabilities		4,271	2,097
Amount due to an associate		1,441	–
Secured bank loans – due within one year	12	<u>36,700</u>	<u>110,242</u>
		<u>68,444</u>	<u>138,547</u>
Net current assets (liabilities)		<u>20,873</u>	<u>(66,534)</u>
Non-current liabilities			
Deferred tax liabilities		13,310	12,481
Secured bank loans – due after one year	12	<u>382,900</u>	<u>308,836</u>
		<u>396,210</u>	<u>321,317</u>
Net assets		<u>1,422,406</u>	<u>1,402,999</u>
Capital and reserves			
Share capital	13	153,881	153,881
Reserves		<u>1,268,525</u>	<u>1,249,118</u>
		<u>1,422,406</u>	<u>1,402,999</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

(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 2009	153,881	72,818	2,687	4,617	1,168,996	1,402,999
Profit for the period	-	-	-	-	24,024	24,024
Dividends declared	-	-	-	3,078	(3,078)	-
Dividends paid	-	-	-	(4,617)	-	(4,617)
At 30 September 2009	<u>153,881</u>	<u>72,818</u>	<u>2,687</u>	<u>3,078</u>	<u>1,189,942</u>	<u>1,422,406</u>
At 1 April 2008	153,906	72,818	2,662	8,311	1,442,175	1,679,872
Profit for the period	-	-	-	-	22,036	22,036
Dividends declared	-	-	-	1,539	(1,539)	-
Dividends paid	-	-	-	(8,311)	-	(8,311)
At 30 September 2008	<u>153,906</u>	<u>72,818</u>	<u>2,662</u>	<u>1,539</u>	<u>1,462,672</u>	<u>1,693,597</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	Six month ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	22,013	25,096
Net cash used in investing activities	(40,293)	(25,261)
Net cash (used in) generated from financing activities	(7,121)	13,107
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(25,401)	12,942
Cash and cash equivalents at beginning of the period	68,594	31,998
Effect of foreign exchange rate change, net	–	332
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>43,193</u>	<u>45,272</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	43,193	2,422
Bank deposits	–	42,850
	<hr/>	<hr/>
	<u>43,193</u>	<u>45,272</u>
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

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 address of the registered office of the Company is 26th Floor, Tern Centre, Tower 1, 237 Queen's Road Central, Hong Kong.

The Company continues to act as an investment holding company. Its subsidiaries (together with the Company are collectively referred to as the "Group") and associates are principally engaged in property investment.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated 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").

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2009 except for the adoption of new or revised Hong Kong Financial Reporting Standards as described below.

3. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are or have become effective for the financial year beginning on 1 April 2009.

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 39 and HKFRS 7 (Amendments) introduce the possibility of reclassification of non-derivative financial assets, in rare circumstances, from the Held-for-Trading category and from the Available-for-Sale category to Loans and Receivables and Held-to-Maturity. A reclassification is permitted as a one-time event, i.e. a reversal is not permitted.

The Group has made use of the HKAS 39 and HKFRS 7 (Amendments) and reclassified certain financial assets as of 1 July 2008. The Group reclassified debt securities out of category “Investments held for trading” into “Loans and receivables”. The Group identified assets, eligible under the amendments, for which at 1 July 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The following table summarises the carrying amount reclassified, the carrying amount and fair value as of 30 September 2009 as well as fair value gains and losses that would have been recognised in the consolidated income statement or investments held for trading if the financial assets had not been reclassified.

Reclassification

	into: Loans and receivables			Effect if no assets would have been reclassified (1 July 2008 until 30 September 2009)
	1 July 2008	30 September 2009 (Unaudited)		
	Carrying amount <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	Consolidated income statement <i>HK\$'000</i>
out of:				
Investments held for trading	8,110	8,110	7,925	(185)

In addition, the Group’s principal associate, Easyman Limited, has also made use of the HKAS 39 and HKFRS 7 (Amendments). Details of the financial assets reclassified and the effect on the Group’s financial statements are set out below:

out of:				
Investments held for trading	73,546	59,214	60,174	960
Share of effect by the Group				480
Effect on the Group:				
Aggregate increase in net assets of the Group				295
Increase in earnings per share of the Group				HK0.1 cent

The adoption of HK(IFRIC) - Int 12, HK(IFRIC) - 14 and HKAS 39 and HKFRS 7 (Amendments) has no material effect on the results of operations and financial position of the Group for the prior accounting periods.

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

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

HKFRS 3 (Revised)	Business Combinations ¹
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ¹

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

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group’s results and financial position.

4. SEGMENT INFORMATION

Business segment

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

Geographical segments

Over 90% of the activities of the Group during the period 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.

5. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:		
Auditors' remuneration	155	145
Depreciation	611	707
Amortisation on leasehold land	518	518
Exchange loss	–	248
Staff costs (including Directors' remuneration)	5,049	4,032
Mandatory provident fund contributions	<u>40</u>	<u>49</u>
Total staff costs	5,089	4,081
and after crediting:		
Exchange gain	427	–
Gross rental income from investment properties	33,127	32,351
Less:		
Direct operating expenses from investment properties that generated rental income	(980)	(1,026)
Direct operating expenses from investment properties that did not generate rental income	<u>(168)</u>	<u>(109)</u>
Net rental income	<u><u>31,979</u></u>	<u><u>31,216</u></u>

6. TAXATION

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	2,037	1,518
(Over) Under provision in previous periods	(96)	5
	<u>1,941</u>	<u>1,523</u>
Other jurisdiction		
Under (Over) provision in previous periods	193	(647)
	<u>2,134</u>	<u>876</u>
Deferred tax expenses (credit)		
Current period	829	(1,190)
	<u>2,963</u>	<u>(314)</u>

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period.

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

7. DIVIDENDS

On 12 August 2009, a dividend of HK1.5 cents per share was paid to shareholders as the final dividend for the financial year ended 31 March 2009.

The Board of Directors has declared an interim dividend of HK1.0 cent (2008: HK0.5 cent) per share amounting to HK\$3,077,625 payable on 8 January 2010 to the shareholders whose names appear on the Register of Members on 31 December 2009.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$24,023,386 (2008: HK\$22,036,199) and on weighted average number of 307,762,522 (2008: 307,812,522) ordinary shares in issue during the period.

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

9. INVESTMENT PROPERTIES

The investment properties of the Group were not revalued at 30 September 2009 by independent valuers. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from those which had been 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 disposed investment properties amounted to HK\$3,792,705 and acquired investment properties amounted to HK\$7,315,790.

10. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables is rental receivable of HK\$188,344 (31 March 2009: HK\$491,869) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

At the balance sheet date, all the rental receivable had an age of less than 90 days.

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

11. TRADE AND OTHER PAYABLES

Included in trade and other payables is prepaid rental from tenants of HK\$1,305,571 (31 March 2009: HK\$1,228,314).

At the balance sheet date, all the prepaid rental from tenants had an age of less than 90 days.

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

12. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	THE GROUP	
	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Within one year	36,700	110,242
More than one year but not exceeding two years	8,730	1,274
More than two years but not exceeding five years	360,879	294,161
More than five years	13,291	13,401
	<u>419,600</u>	<u>419,078</u>
Less: Amount due within one year	<u>(36,700)</u>	<u>(110,242)</u>
	<u>382,900</u>	<u>308,836</u>

Over 95% of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 1.25% over HIBOR (31 March 2009: from 0.5% to 1.0% over HIBOR) per annum.

The remaining bank loans are denominated in Canadian dollars with variable interest rate which is the prime rate less 0.5% (31 March 2009: prime rate less 0.5%) per annum

13. SHARE CAPITAL

	30 September 2009		31 March 2009	
	Number of ordinary share of HK\$0.5 each (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of ordinary share of HK\$0.5 each (Audited)	Nominal value HK\$'000 (Audited)
THE COMPANY				
Authorised:	400,000,000	200,000	400,000,000	200,000
Issued and fully paid:				
At beginning of the period	307,762,522	153,881	307,812,522	153,906
Cancellation upon repurchase of own shares	—	—	(50,000)	(25)
At end of the period	307,762,522	153,881	307,762,522	153,881

On 14 November 2008, 50,000 ordinary shares repurchased on The Stock Exchange of Hong Kong Limited were cancelled. The nominal value of HK\$25,000 of all the shares cancelled during the year was credited to capital redemption reserve and the relevant aggregate consideration of HK\$158,273 was deducted from the Company's accumulated profits.

There were no movements in the share capital of the Company for the six months ended 30 September 2009.

14. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$180,000 (2008: HK\$180,000) from an associate of the Company, Win Easy Development Limited.

The directors of the Group considered that they are the key management personnel of the Group and their remunerations are HK\$5,294,045 (2008: HK\$4,093,310).

15. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities amounting to HK\$580,248,000 (31 March 2009: HK\$591,248,000) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK\$1,108,972,493 (31 March 2009: HK\$1,331,841,489). These facilities were utilised to the extent of HK\$419,600,311 (31 March 2009: HK\$419,077,484) as at the balance sheet date.

16. 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 2009	31 March 2009	30 September 2009	31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Subsidiaries	–	–	419,600	419,078
Associates	31,000	35,000	31,000	35,000
	31,000	35,000	450,600	454,078

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

17. CAPITAL COMMITMENTS

At the balance sheet date, the Group has no capital commitments (31 March 2009: Nil).

18. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	Six months ended	
	30 September 2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Lease payments paid under operating leases in respect of rented properties during the period	–	–

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

	30 September 2009	31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	–	–

18. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 4.6% (31 March 2009: 4.6%) 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	
	30 September	31 March
	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	45,468	55,194
In the second to fifth year inclusive	<u>34,796</u>	<u>15,725</u>
	<u>80,264</u>	<u>70,919</u>

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30 September 2009 of HK1.0 cent per share payable to shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 31 December 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 31 December 2009 to Tuesday, 5 January 2010, 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 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 Wednesday, 30 December 2009. Dividend warrants will be dispatched to shareholders on Friday, 8 January 2010.

BUSINESS REVIEW AND PROSPECT

The Group's gross rental income including its share from an associate for the six months ended 30 September 2009 amounted to HK\$39.3 million, an increase of 1.0% from the same period of last year. The Group's profit for the period amounted to HK\$24.0 million, an increase of 9.0% from the same period of last year.

During the period, the Group's rental income remained stable among its various investment properties. Commercial shop properties located on Park Lane Shoppers Boulevard and Nathan Road generally recorded a moderate increase in rental income, but a few other commercial properties recorded slight downward adjustment in rental income. Despite uncertain economic conditions, the Group's rental portfolio continued to achieve an average occupancy rate of 98% during the period.

The Group has sold a residential suite in Pointe Claire in the City of Vancouver, Canada and continued to hold the remaining suite for rental income purpose during the period.

The stimulating effect of monetary easing and massive fiscal spending by various government authorities have been flowing through the global economy with mixed results. Meanwhile individual authorities are planning to retreat from market intervention as exceptionally low interest rate environment may cause inflationary pressure next year. However improvement in employment rate and consumer confidence remains to be seen, and the sustainability in economic recovery may become uncertain into the future ahead.

In the local residential property market, trading activities have slowed down after substantial increase in sales and price in the middle of the year. The market is expected to become less resilient in the first quarter of next year. In the local commercial property market, the capital value of shops and office properties has rebounded substantially and should maintain at the current level next year. The rental value will also improve in tandem with the rising capital value. Meanwhile the Group's rental income is expected to remain stable in the second half of the year.

FINANCIAL OPERATION REVIEW

Operation

The Group continued to hold quality commercial properties for rental income purposes during the period.

The Group's turnover, which represents gross rental income for the six months ended 30 September 2009 amounted to HK\$33.1 million (2008: HK\$32.4 million), an increase of 2.4% from the same period of last year. Commercial shop properties located on Park Lane Shoppers Boulevard and Nathan Road generally recorded a moderate increase in rental income, but a few other commercial properties recorded slight downward adjustment in rental income. The Group's share of gross rental income from an associate amounted to HK\$6.2 million (2008: HK\$6.5 million), a decrease of 5.7% from the same period of last year due to downward rental adjustment upon lease renewals during the period.

The Group's interest income for the six months ended 30 September 2009 amounted to HK\$0.9 million (2008: HK\$0.4 million), an increase of HK\$0.5 million from the same period of last year due to the increase in debt securities investment during the period. At 30 September 2009, the Group held debt securities investment amounting to HK\$49.2 million (31 March 2009: HK\$8.1 million), an increase of HK\$41.1 million from the previous year-end.

Results

The Group's profit for the six months ended 30 September 2009 amounted to HK\$24.0 million (2008: HK\$22.0 million), an increase of 9.0% from the same period of last year. The increase was due to lower interest expense and higher unrealised gain on debt securities investment upon revaluation, partially offset by higher provision of profits tax and deferred tax during the period. The Group's share of results of associates after taxation amounted to HK\$4.6 million (2008: HK\$5.7 million), a decrease of 18.8% from the same period of last year due to lower rental income and higher provision of profits tax during the period.

Earnings per share for the six months ended 30 September 2009 were HK7.81 cents (2008: HK7.16 cents), an increase of HK0.65 cent from the same period of last year. The declared interim dividend was HK1.0 cent (2008: HK0.5 cent) per share, an increase of HK0.5 cent from the same period of last year.

Bank Borrowings and Finance Costs

At 30 September 2009, the Group's banking facilities amounting to HK\$580.2 million (31 March 2009: HK\$591.2 million) were fully secured by its investment properties, leasehold land and buildings with an aggregate carrying value amounting to HK\$1,109.0 million (31 March 2009: HK\$1,331.8 million). At 30 September 2009, these facilities were utilised to the extent of HK\$419.6 million (31 March 2009: HK\$419.1 million).

At 30 September 2009, the total amount of outstanding bank borrowings net of bank deposits, bank balances and cash of HK\$43.2 million were HK\$376.4 million (31 March 2009: HK\$350.5 million), an increase of HK\$25.9 million from the previous year-end. The increase in bank borrowings was due to the increase in debt securities investment during the period. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 26.5% (31 March 2009: 25.0%).

FINANCIAL OPERATION REVIEW (Continued)

Of the total bank borrowings at 30 September 2009, 8.7% were repayable within one year, 2.1% were repayable after one year but within two years, 86.0% were repayable after two years but within five years and 3.2% were repayable after five years.

Subsequent to balance sheet date, the Group has been offered new bank facilities amounting to HK\$144 million for a period of three years. The new facilities will be used to re-finance current facilities that will expire in the coming year.

The Group's finance costs for the six months ended 30 September 2009 were HK\$3.0 million (2008: HK\$6.3 million), a decrease of 51.9% from the same period of last year. The decrease was due to lower market interest rate during the period.

Shareholders' Funds

At 30 September 2009, the Group's shareholders' funds amounted to HK\$1,422.4 million (31 March 2009: HK\$1,403.0 million), representing an increase of HK\$19.4 million from the previous year-end. The net asset value per share was HK\$4.62 (31 March 2009: HK\$4.56).

At 30 September 2009, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2009, the total number of staff of the Group was 13 (2008: 11). The total staff costs including Directors' emoluments amounted to HK\$5.1 million (2008: 4.1 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS

At 30 September 2009, 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	172,916,896	56.19
	Interest of Controlled Corporation (Note)	Corporate Interest	170,880,896		
Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Chan Siu Keung, Leonard	–	–	–	–	–
Chan Kwok Wai	–	–	–	–	–
Tse Lai Han, Henry	–	–	–	–	–
Leung Kui King, Donald	–	–	–	–	–

Note: Mr. Chan Hoi Sow had a 100% interest in Beyers Investments Limited which, through its wholly owned subsidiary, Noranger Company Limited, held 145,058,000 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 170,880,896 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 2009 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2009, 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	172,916,896	172,916,896	56.19
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	145,058,000	145,058,000	47.13
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	145,058,000	145,058,000	47.13
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		

SUBSTANTIAL SHAREHOLDERS (Continued)

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 145,058,000 shares relate to the 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 2009, 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 2009.

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 2009 with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2009, 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 deviation:

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 is the Chairman of the Board and Managing Director of the Company. Mr. Chan 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 members comprises Independent Non-Executive Directors who are professional accountant, engineer and manager respectively, the balance of power and authority between the Board and the management will not be compromised.

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 2009.

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. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald.

By Order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 11 December 2009