



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2010/2011 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 2010, 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 2010

		Six months ended	
		30 September	
	<i>Notes</i>	2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		33,488	33,127
Property expenses		(1,081)	(1,148)
Gross profit		32,407	31,979
Realised gain on disposal of financial assets held for trading		86	–
Unrealised gain on financial assets held for trading		2,054	976
Dividend income		307	–
Interest income		4,499	911
Other operating income		166	751
Gain on disposal of investment properties		–	411
Administrative expenses		(9,882)	(9,613)
Profit from operations	5	29,637	25,415
Finance costs		(2,169)	(3,028)
Share of results of associates		3,021	4,600
Profit before taxation		30,489	26,987
Taxation	6	(3,206)	(2,963)
Profit for the period		27,283	24,024
Other comprehensive income		–	–
Total comprehensive income for the period and attributable to owners of the Company		27,283	24,024
Dividends	7	5,540	3,078
Earnings per share	8	HK8.86 cents	HK7.81 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

		30 September 2010	31 March 2010
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited) (Restated)
Non-current assets			
Investment properties	9	1,821,774	1,792,883
Property, plant and equipment	10	78,902	79,798
Interests in associates		213,503	212,582
Available-for-sale investments		2,161	2,161
Loans and receivables	11	<u>8,110</u>	<u>8,110</u>
		<u>2,124,450</u>	<u>2,095,534</u>
Current assets			
Trade and other receivables	12	5,894	3,849
Financial assets held for trading	13	124,610	95,304
Tax recoverable		19	292
Time deposits, bank balances and cash		<u>46,671</u>	<u>95,724</u>
		<u>177,194</u>	<u>195,169</u>
Current liabilities			
Trade and other payables	14	7,275	6,841
Rental deposits from tenants		17,609	16,665
Tax liabilities		4,475	2,122
Secured bank loans – due within one year	15	<u>8,732</u>	<u>8,718</u>
		<u>38,091</u>	<u>34,346</u>
Net current assets		<u>139,103</u>	<u>160,823</u>
Non-current liabilities			
Deferred tax liabilities		14,713	14,088
Secured bank loans – due after one year	15	<u>406,196</u>	<u>403,826</u>
		<u>420,909</u>	<u>417,914</u>
Net assets		<u><u>1,842,644</u></u>	<u><u>1,838,443</u></u>
Capital and reserves			
Share capital	16	153,881	153,881
Reserves		<u>1,688,763</u>	<u>1,684,562</u>
		<u><u>1,842,644</u></u>	<u><u>1,838,443</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

(Unaudited)

	Share capital <i>HK\$'000</i>	Share premium <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 2010	153,881	72,818	2,687	23,082	1,585,975	1,838,443
Total comprehensive income for the period	–	–	–	–	27,283	27,283
Dividends declared	–	–	–	5,540	(5,540)	–
Dividends paid	–	–	–	(23,082)	–	(23,082)
At 30 September 2010	<u>153,881</u>	<u>72,818</u>	<u>2,687</u>	<u>5,540</u>	<u>1,607,718</u>	<u>1,842,644</u>
At 1 April 2009	153,881	72,818	2,687	4,617	1,168,996	1,402,999
Total comprehensive income 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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six month ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	(3,917)	22,013
Net cash used in investing activities	(49,269)	(40,293)
Net cash used in financing activities	<u>(22,867)</u>	<u>(7,121)</u>
Net decrease in cash and cash equivalents	(76,053)	(25,401)
Cash and cash equivalents at beginning of the period	<u>95,724</u>	<u>68,594</u>
Cash and cash equivalents at end of the period	<u><u>19,671</u></u>	<u><u>43,193</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	10,000	43,193
Bank deposits maturing within three months	<u>9,671</u>	<u>—</u>
	<u><u>19,671</u></u>	<u><u>43,193</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

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 I, 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 2010 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 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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

Improvements to HKFRSs issued in 2009 contain amendments to HKAS 17 (Amendment) “Leases”, which has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, the Group’s interests in leasehold land were accounted for as prepaid operating leases which were amortised and recognised in the audited consolidated statement of comprehensive income over the unexpired lease terms using the straight-line method. As substantially all risks and rewards of the leasehold land are considered having been transferred to the Group based on HKAS 17 (Amendment), the Group’s interests in leasehold land are now accounted for as assets held under finance leases and are stated at cost less accumulated depreciation. The amendment has been applied retrospectively to unexpired lease since 1 April 2010 on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

Effect of change in accounting policy on unaudited condensed consolidated statement of financial position:

	31 March 2010			1 April 2009		
	Originally stated HK\$’000	Amendment to HKAS 17 HK\$’000	Restated HK\$’000	Originally stated HK\$’000	Amendment to HKAS 17 HK\$’000	Restated HK\$’000
Property, plant and equipment	6,902	72,896	79,798	8,044	73,931	81,975
Leasehold land	72,896	(72,896)	-	73,931	(73,931)	-
Total effect	<u>79,798</u>	<u>-</u>	<u>79,798</u>	<u>81,975</u>	<u>-</u>	<u>81,975</u>

Save as described above, there is no material effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods by adopting the new HKFRSs. Thus no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 9	Financial Instrument ⁴
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial performance and financial position of the Group.

4. OPERATING SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

For property investment, the segment represents the operations of property investment and property leasing. Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rentals (including gross rent and property expenses), valuations gains/losses, profit/(loss) on disposal of investment property and share of profit from the associates. The individual properties with similar economic characteristics are aggregated into segments for presentation purposes.

For treasury investment, the segment represents the operations of investing internal resources. Financial information is provided to the Board on a company basis. The information provided include the investments in financial assets held for trading, bank balances and fair value change in financial assets held for trading.

Business information

Six months ended 30 September 2010

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Turnover	33,488	–	33,488
Property expenses	(1,081)	–	(1,081)
Gross profit	32,407	–	32,407
Realised gain on disposal of financial assets held for trading	–	86	86
Unrealised gain on financial assets held for trading	–	2,054	2,054
Dividend income	–	307	307
Interest income	80	4,419	4,499
Other operating income	30	136	166
Gain on disposal of investment properties	–	–	–
Administrative expenses	(9,852)	(30)	(9,882)
Profit from operations	22,665	6,972	29,637
Finance costs	(2,169)	–	(2,169)
Share of results of associates	3,021	–	3,021
Profit before taxation	23,517	6,972	30,489
Taxation	(3,206)	–	(3,206)
Profit for the period	<u>20,311</u>	<u>6,972</u>	<u>27,283</u>

4. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 30 September 2010

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	2,163,796	137,848	2,301,644
Segment liabilities	(458,995)	(5)	(459,000)
Net assets	<u>1,704,801</u>	<u>137,843</u>	<u>1,842,644</u>
Other segments information:			
Depreciation and amortisation	950	–	950
Addition to investment properties	28,956	–	28,956
Addition to property, plant and equipment	<u>54</u>	<u>–</u>	<u>54</u>

Six months ended 30 September 2009

	Property investment HK\$'000 (Unaudited)	Treasury investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Turnover	33,127	–	33,127
Property expenses	<u>(1,148)</u>	<u>–</u>	<u>(1,148)</u>
Gross profit	31,979	–	31,979
Realised gain on disposal of financial assets held for trading	–	–	–
Unrealised gain on financial assets held for trading	–	976	976
Dividend income	–	–	–
Interest income	5	906	911
Other operating income	751	–	751
Gain on disposal of investment properties	411	–	411
Administrative expenses	<u>(9,607)</u>	<u>(6)</u>	<u>(9,613)</u>
Profit from operations	23,539	1,876	25,415
Finance costs	(3,028)	–	(3,028)
Share of results of associates	<u>4,600</u>	<u>–</u>	<u>4,600</u>
Profit before taxation	25,111	1,876	26,987
Taxation	<u>(2,963)</u>	<u>–</u>	<u>(2,963)</u>
Profit for the period	<u>22,148</u>	<u>1,876</u>	<u>24,024</u>

4. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 31 March 2010

	Property investment <i>HK\$'000</i> (Audited)	Treasury investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	2,184,801	105,902	2,290,703
Segment liabilities	<u>(452,256)</u>	<u>(4)</u>	<u>(452,260)</u>
Net assets	<u><u>1,732,545</u></u>	<u><u>105,898</u></u>	<u><u>1,838,443</u></u>
Other segments information:			
Depreciation and amortisation	2,254	–	2,254
Addition to investment properties	7,316	–	7,316
Addition to property, plant and equipment	<u>76</u>	<u>–</u>	<u>76</u>

Geographical information

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.

Information on major customers

Included in revenues arising from rental income of HK\$33.5 million (2009: HK\$33.1 million) are rental revenues of approximately HK\$5.2 million (2009: HK\$5.2 million) which arose from the Group's largest tenant.

5. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:		
Auditors' remuneration	145	155
Depreciation	432	611
Amortisation on leasehold land	518	518
Exchange loss	61	–
Staff costs (including Directors' remuneration)	4,350	5,049
Mandatory provident fund contributions	<u>54</u>	<u>40</u>
Total staff costs	4,404	5,089
and after crediting:		
Exchange gain	–	427
Gross rental income from investment properties	33,488	33,127
Less:		
Direct operating expenses from investment properties that generated rental income	(851)	(980)
Direct operating expenses from investment properties that did not generate rental income	<u>(230)</u>	<u>(168)</u>
Net rental income	<u><u>32,407</u></u>	<u><u>31,979</u></u>

6. TAXATION

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	2,220	2,037
Under (over) provision in previous periods	218	(96)
	<u>2,438</u>	<u>1,941</u>
Other jurisdiction		
Under provision in previous periods	143	193
	<u>2,581</u>	<u>2,134</u>
Deferred tax expenses		
Current period	845	829
Over provision in previous periods	(220)	—
	<u>3,206</u>	<u>2,963</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 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 9 August 2010, the final dividend of HK2.5 cents per share and the special dividend of HK5.0 cents per share were paid to the shareholders for the financial year ended 31 March 2010.

The Board of Directors has declared an interim dividend of HK1.8 cents (2009: HK1.0 cent) per share amounting to HK\$5,539,725 payable on 22 December 2010 to the shareholders whose names appear on the Register of Members on 15 December 2010.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$27,282,909 (2009: HK\$24,023,386) and on weighted average number of 307,762,522 (2009: 307,762,522) 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 2010 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 end of the reporting period. 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\$28,955,650.

10. PROPERTY, PLANT AND EQUIPMENT

HKAS 17 Leases has been amended in relation to the classification of leasehold land and the Group restated the net book value of leasehold land to property, plant and equipment in prior year accordingly.

11. LOANS AND RECEIVABLES

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Listed overseas debt securities	<u>8,110</u>	<u>8,110</u>

HKAS 39 and HKFRS 7 (Amendments) also 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 "Financial assets 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 2010 as well as fair value gains and losses that would have been recognised in the consolidated statement of comprehensive income or financial assets 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 2010) Consolidated statement of comprehensive income
	1 July 2008 Carrying amount HK\$'000	30 September 2010 Carrying amount HK\$'000	Fair value HK\$'000	HK\$'000
out of:				
Financial assets held for trading	<u>8,110</u>	<u>8,110</u>	<u>8,235</u>	<u>125</u>

The carrying values of these loans and receivables are stated at their fair values on 1 July 2008.

12. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables is rental receivable of HK\$127,173 (31 March 2010: HK\$314,539) 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 end of the reporting period, 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.

13. FINANCIAL ASSETS HELD FOR TRADING

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Analysis of financial assets held for trading		
Listed overseas debt securities	116,320	95,304
Listed overseas equity securities	<u>8,290</u>	<u>–</u>
	<u>124,610</u>	<u>95,304</u>
Market value	<u>124,610</u>	<u>95,304</u>

Market values are determined with reference to quoted market prices in an active market.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables is prepaid rental from tenants of HK\$2,514,324 (31 March 2010: HK\$1,670,856).

At the end of the reporting period, 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.

15. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Within one year	8,732	8,718
More than one year but not exceeding two years	165,764	167,749
More than two years but not exceeding five years	228,485	223,439
More than five years	<u>11,947</u>	<u>12,638</u>
	414,928	412,544
Less: Amounts due within one year	<u>(8,732)</u>	<u>(8,718)</u>
	<u>406,196</u>	<u>403,826</u>

Nearly all of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 1.25% over HIBOR (31 March 2010: 0.5% to 1.25% 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 2010: prime rate less 0.5%) per annum.

16. SHARE CAPITAL

	30 September 2010		31 March 2010	
	Number of ordinary share of HK\$0.5 each	Nominal value HK\$'000 (Unaudited)	Number of ordinary share of HK\$0.5 each	Nominal value HK\$'000 (Audited)
Authorised:	<u>400,000,000</u>	<u>200,000</u>	<u>400,000,000</u>	<u>200,000</u>
Issued and fully paid:	<u>307,762,522</u>	<u>153,881</u>	<u>307,762,522</u>	<u>153,881</u>

There were no movements in the share capital of the Company for the six months ended 30 September 2010.

17. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$180,000 (2009: 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\$4,263,700 (2009: HK\$5,294,045).

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounting to HK\$619,248,000 (31 March 2010: HK\$515,248,000) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK\$1,206,988,504 (31 March 2010: HK\$1,099,003,855). These facilities were utilised to the extent of HK\$414,928,355 (31 March 2010: HK\$412,544,257) as at the end of the reporting period.

19. CONTINGENT LIABILITIES

At the end of the reporting period, 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 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Subsidiaries	–	–	414,928	412,544
Associates	<u>22,500</u>	<u>27,500</u>	<u>22,500</u>	<u>27,500</u>
	<u>22,500</u>	<u>27,500</u>	<u>437,428</u>	<u>440,044</u>

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.

20. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has no capital commitments (31 March 2010: Nil).

21. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Six months ended	
	30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Lease payments paid under operating leases in respect of rented properties during the period	<u>230</u>	<u>–</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September	31 March
	2010	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	378	–
In the second to fifth year inclusive	<u>–</u>	<u>–</u>
	<u>378</u>	<u>–</u>

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.7% (31 March 2010: 3.7%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 September	31 March
	2010	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	62,092	51,198
In the second to fifth year inclusive	<u>43,895</u>	<u>38,217</u>
	<u>105,987</u>	<u>89,415</u>

22. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30 September 2010 of HK1.8 cents per share payable to shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 15 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 15 December 2010 to Friday, 17 December 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 Tuesday, 14 December 2010. Dividend warrants will be dispatched to shareholders on Wednesday, 22 December 2010.

BUSINESS REVIEW AND PROSPECT

The Group's gross rental income for the six months ended 30 September 2010 amounted to HK\$33.5 million, an increase of 1.1% from the same period of last year. The Group's profit for the period amounted to HK\$27.3 million, an increase of 13.6% 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 generally recorded a moderate increase in rental rate upon the renewal of the leases during the period. The Group's rental portfolio achieved an occupancy rate of over 98% at the end of the period.

During the period, the Group acquired a shop property on the Ground Floor of Lee Fat Building, 30-36 Jardine's Crescent in Causeway Bay for a cash consideration of HK\$27,500,000. The acquisition was completed at the end of August 2010. The property is generating a rental income of HK\$78,000 per month.

Despite various authorities implementing monetary easing policy for a prolonged period, the major economies and employment around the globe do not appear to improve much. On the other hand the prices of various assets and resources have increased substantially amid the low interest environment and invoke worries of material inflation lying ahead. Meanwhile the general economy and the consumer spending are still charging ahead in the Mainland prompting the authorities to raise interest rate and impose other restraint measures. In turn the Mainland economy will be heading to a healthier and sustainable growth in the long term which will be beneficial to the local economy.

Due to the low interest rate, trading activities and pricing in the local residential property market have increased substantially throughout the year. The government has just imposed measures to raise stamp duty for speculative trading and lower the mortgage limit. Therefore the market is expected to turn soft. The rental value and capital value of shops have also increased and is expected to remain at a high level due to the increasing number of Mainland tourists visiting Hong Kong. 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 and invest in debt and equity securities for interest and dividend income during the period.

The Group's turnover, which represents gross rental income for the six months ended 30 September 2010 amounted to HK\$33.5 million (2009: HK\$33.1 million), an increase of 1.1% from the same period of last year. Commercial shop properties located along Granville Road and Cameron Road generally recorded a better increase in rental rate upon the lease renewal, but a few other commercial properties recorded some downward adjustment in rental rate. The Group's share of gross rental income from an associate amounted to HK\$4.4 million (2009: HK\$6.2 million), a decrease of 28.6% from the same period of last year due to the sale of three shops properties in the first quarter of this year.

During the period, the Group purchased Shop 5 on the Ground Floor of Lee Fat Building, 30-36 Jardine's Crescent in Causeway Bay for a cash consideration of HK\$27,500,000. The property will generate a rental income of HK\$936,000 per annum which is equivalent to an annual yield of 3.4%.

The Group's interest and dividend income for the six months ended 30 September 2010 amounted to HK\$4.8 million (2009: HK\$0.9 million), an increase of HK\$3.9 million from the same period of last year due to the increase in debt and equity securities investments during the period. At 30 September 2010, the Group held debt and equity securities investments amounting to HK\$132.7 million (31 March 2010: HK\$103.4 million), an increase of HK\$29.3 million from the previous year-end.

Results

The Group's profit for the six months ended 30 September 2010 amounted to HK\$27.3 million (2009: HK\$24.0 million), an increase of 13.6% from the same period of last year. The increase was due to higher interest income and unrealised gain on securities investments upon revaluation, and lower interest expense partially offset by the decrease in the share of results of associates during the period. The Group's share of results of associates after taxation amounted to HK\$3.0 million (2009: HK\$4.6 million), a decrease of 34.3% from the same period of last year due to lower rental income during the period.

Earnings per share for the six months ended 30 September 2010 were HK8.86 cents (2009: HK7.81 cents), an increase of HK1.05 cents from the same period of last year. The declared interim dividend was HK1.8 cents (2009: HK1.0 cent) per share, an increase of HK0.8 cent from the same period of last year.

FINANCIAL OPERATION REVIEW (Continued)

Liquidity, Bank Borrowings and Finance Costs

At 30 September 2010, the Group's net current assets including time deposits, bank balances and cash of HK\$46.7 million amounted to HK\$139.1 million (31 March 2010: HK\$160.8 million). At 30 September 2010, the Group's banking facilities amounting to HK\$619.2 million (31 March 2010: HK\$515.2 million) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK\$1,207.0 million (31 March 2010: HK\$1,099.0 million). At 30 September 2010, these facilities were utilised to the extent of HK\$414.9 million (31 March 2010: HK\$412.5 million).

At 30 September 2010, the total amount of outstanding bank borrowings net of bank deposits, bank balances and cash were HK\$368.3 million (31 March 2010: HK\$316.8 million), an increase of HK\$51.5 million from the previous year-end. The increase in bank borrowings was due to the purchase of a shop property and the increase in securities investments during the period. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 20.0% (31 March 2010: 17.2%).

Of the total bank borrowings at 30 September 2010, HK\$8.7 million or 2.1% were repayable within one year, HK\$165.8 million or 39.9% were repayable after one year but within two years, HK\$228.5 million or 55.1% were repayable after two years but within five years and HK\$11.9 million or 2.9% were repayable after five years.

The Group's finance costs for the six months ended 30 September 2010 were HK\$2.2 million (2009: HK\$3.0 million), a decrease of 28.4% from the same period of last year. The decrease was due to lower market interest rate during the period.

Shareholders' Funds

At 30 September 2010, the Group's shareholders' funds amounted to HK\$1,842.6 million (31 March 2010: HK\$1,838.4 million), representing an increase of HK\$4.2 million from the previous year-end. The net asset value per share was HK\$5.99 (31 March 2010: HK\$5.97).

At 30 September 2010, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2010, the total number of staff of the Group was 15 (2009: 13). The total staff costs including Directors' emoluments amounted to HK\$4.4 million (2009: HK\$5.1 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS

At 30 September 2010, 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	173,362,896	56.33
	Interest of Controlled Corporation (<i>Note</i>)	Corporate Interest	171,326,896		
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 145,504,000 ordinary shares of the Company. He also had a 100% interest in Evergrade Investments Limited which held 25,822,896 ordinary shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madame Chan Loo Kuo Pin, were deemed to have interests in 171,326,896 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 2010 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2010, 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	173,362,896	173,362,896	56.33
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	145,504,000	145,504,000	47.28
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	145,504,000	145,504,000	47.28
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 145,504,000 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 2010, 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 2010.

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 2010 and the 2010/2011 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2010, 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 2010.

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, 29 November 2010