



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2011/2012 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow *Chairman and Managing Director*
Chan Yan Tin, Andrew
Chan Siu Keung, Leonard

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Chan Kwok Wai *Committee Chairman*
Tse Lai Han, Henry
Leung Kui King, Donald

REMUNERATION COMMITTEE

Chan Kwok Wai *Committee Chairman*
Tse Lai Han, Henry

COMPANY SECRETARY

Huen Po Wah

PRINCIPAL BANKERS

Wing Lung Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

HLM & Co.
Certified Public Accountants, Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

26th Floor, Tern Centre, Tower I
237 Queen's Road Central
Hong Kong

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

WEBSITE

www.tern.hk

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 2011, 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 2011

		Six months ended	
		30 September	
	<i>Notes</i>	2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		35,300	33,488
Property expenses		(1,085)	(1,081)
		<hr/>	<hr/>
Gross profit		34,215	32,407
Realised (loss) gain on disposal of financial assets held for trading		(121)	86
Unrealised (loss) gain on financial assets held for trading		(30,430)	2,054
Dividend income		583	307
Interest income		6,572	4,499
Other operating income		23	166
Administrative expenses		(10,529)	(9,882)
		<hr/>	<hr/>
Profit from operations	5	313	29,637
Finance costs		(2,535)	(2,169)
Share of results of associates		(277)	3,021
		<hr/>	<hr/>
(Loss) profit before taxation		(2,499)	30,489
Taxation	6	(3,689)	(3,206)
		<hr/>	<hr/>
(Loss) profit and total comprehensive (expenses) income for the period and attributable to owners of the Company		(6,188)	27,283
		<hr/> <hr/>	<hr/> <hr/>
Dividends	7	5,540	5,540
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share	8	HK(2.01) cents	HK8.86 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	9	2,149,805	2,150,125
Property, plant and equipment	10	7,055	7,264
Leasehold land		70,306	70,824
Interests in associates		245,818	248,245
Available-for-sale investments		2,161	2,161
Loans and receivables	11	8,110	8,110
Deferred rental income		302	354
		2,483,557	2,487,083
Current assets			
Trade and other receivables	12	8,133	6,570
Financial assets held for trading	13	119,429	134,349
Leasehold land – current portion		1,036	1,036
Deferred rental income – current portion		896	517
Tax recoverable		69	329
Bank balances and cash		37,059	32,261
		166,622	175,062
Current liabilities			
Trade and other payables	14	7,678	6,735
Rental deposits from tenants		18,930	18,757
Tax liabilities		4,893	2,330
Secured bank loans – due within one year	15	42,758	8,746
		74,259	36,568
Net current assets		92,363	138,494
Non-current liabilities			
Deferred tax liabilities		16,522	15,677
Secured bank loans – due after one year	15	352,439	388,123
		368,961	403,800
Net assets		2,206,959	2,221,777
Capital and reserves			
Share capital	16	153,879	153,881
Reserves		2,053,080	2,067,896
		2,206,959	2,221,777

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

(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 2011	153,881	72,818	2,687	8,617	1,983,774	2,221,777
Cancellation upon repurchase of own shares	(2)	–	2	–	(13)	(13)
Total comprehensive expenses for the period	–	–	–	–	(6,188)	(6,188)
Dividends declared	–	–	–	5,540	(5,540)	–
Dividends paid	–	–	–	(8,617)	–	(8,617)
At 30 September 2011	<u>153,879</u>	<u>72,818</u>	<u>2,689</u>	<u>5,540</u>	<u>1,972,033</u>	<u>2,206,959</u>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six month ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	24,177	(3,917)
Net cash used in investing activities	(6,555)	(49,269)
Net cash used in financing activities	<u>(12,824)</u>	<u>(22,867)</u>
Net increase (decrease) in cash and cash equivalents	4,798	(76,053)
Cash and cash equivalents at beginning of the period	<u>32,261</u>	<u>95,724</u>
Cash and cash equivalents at end of the period	<u><u>37,059</u></u>	<u><u>19,671</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	37,059	10,000
Bank deposits maturing within three months	<u>-</u>	<u>9,671</u>
	<u><u>37,059</u></u>	<u><u>19,671</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

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 “Stock Exchange”). 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 (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011 except as described below.

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

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (the “new HKFRSs”) issued by the HKICPA, which are or have become effective for the financial year beginning on 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 3	Business Combination (2008) – Improvements to HKFRSs (2010)
HKAS 1 (Amendments)	Presentation of Financial Statements – Improvements to HKFRSs (2010)
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK (IFRIC) – Int 13 (Amendments)	Customer Loyalty Programmes – Improvements to HKFRSs (2010)
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HK (IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

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

HK (IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transaction in the future, HK (IFRIC) – Int 19 will affect the required accounting. In particular, under HK (IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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 HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9 (Revised)	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosures of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in December 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the annual period beginning on or after 1 January 2013 and that the application of the new standard will have an impact on amounts reported in respect of the Groups’ financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10 there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties’ rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group’s joint arrangements and their accounting treatments.

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

4. OPERATING SEGMENTS

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.

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 and share of profit/loss 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 includes the investments in financial assets held for trading, bank balances and fair value change in financial assets held for trading.

4. OPERATING SEGMENTS (Continued)

Business information

For the six months ended 30 September 2011

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Turnover	35,300	–	35,300
Property expenses	<u>(1,085)</u>	<u>–</u>	<u>(1,085)</u>
Gross profit	34,215	–	34,215
Realised loss on disposal of financial assets held for trading	–	(121)	(121)
Unrealised loss on financial assets held for trading	–	(30,430)	(30,430)
Dividend income	–	583	583
Interest income	17	6,555	6,572
Other operating income	23	–	23
Administrative expenses	<u>(10,512)</u>	<u>(17)</u>	<u>(10,529)</u>
Profit (loss) from operations	23,743	(23,430)	313
Finance costs	(2,535)	–	(2,535)
Share of results of associates	<u>(277)</u>	<u>–</u>	<u>(277)</u>
Profit (loss) before taxation	20,931	(23,430)	(2,499)
Taxation	<u>(3,689)</u>	<u>–</u>	<u>(3,689)</u>
Profit (loss) for the period	<u><u>17,242</u></u>	<u><u>(23,430)</u></u>	<u><u>(6,188)</u></u>

At 30 September 2011

	Property investment <i>HK\$'000</i> (Unaudited)	Treasury investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	2,500,954	149,225	2,650,179
Segment liabilities	<u>(443,220)</u>	<u>–</u>	<u>(443,220)</u>
Net assets	<u><u>2,057,734</u></u>	<u><u>149,225</u></u>	<u><u>2,206,959</u></u>
Other segment information:			
Depreciation and amortisation	956	–	956
Addition to investment properties	–	–	–
Addition to property, plant and equipment	<u>231</u>	<u>–</u>	<u>231</u>

4. OPERATING SEGMENTS (Continued)

Business information (Continued)

For the 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
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>

At 31 March 2011

	Property investment HK\$'000 (Audited)	Treasury investment HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	2,512,439	149,706	2,662,145
Segment liabilities	(440,363)	(5)	(440,368)
Net assets	<u>2,072,076</u>	<u>149,701</u>	<u>2,221,777</u>
Other segment information:			
Depreciation and amortisation	1,884	–	1,884
Addition to investment properties	28,956	–	28,956
Addition to property, plant and equipment	1,210	–	1,210

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 revenue arising from rental income of HK\$35.3 million (2010: HK\$33.5 million) were rental revenue of HK\$6.8 million (2010: HK\$5.2 million) which arose from the Group's largest tenant.

5. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:		
Auditors' remuneration	158	145
Depreciation	438	432
Amortisation on leasehold land	518	518
Exchange loss	277	61
Staff costs (including Directors' remuneration)	5,092	4,350
Mandatory provident fund contributions	64	54
	<hr/>	<hr/>
Total staff costs	5,156	4,404
and after crediting:		
Gross rental income from investment properties	35,300	33,488
Less:		
Direct operating expenses from investment properties that generated rental income	(818)	(851)
Direct operating expenses from investment properties that did not generate rental income	(267)	(230)
	<hr/>	<hr/>
Net rental income	34,215	32,407
	<hr/> <hr/>	<hr/> <hr/>

6. TAXATION

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	2,834	2,220
Under provision in previous periods	–	218
	<hr/>	<hr/>
	2,834	2,438
Other jurisdiction		
Under provision in previous periods	9	143
	<hr/>	<hr/>
	2,843	2,581
Deferred tax expenses		
Current period	841	845
Under (over) provision in previous periods	5	(220)
	<hr/>	<hr/>
	3,689	3,206
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

7. DIVIDENDS

On 8 August 2011, the final dividend of HK2.8 cents per share were paid to the shareholders for the financial year ended 31 March 2011.

The Board of Directors has declared an interim dividend of HK1.8 cents (2010: HK1.8 cents) per share amounting to HK\$5,539,653 payable on 22 December 2011 to the shareholders whose names appear on the Register of Members on 15 December 2011.

8. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the loss for the period of HK\$6,187,990 (2010: profit for the period of HK\$27,282,909) and on weighted average number of 307,759,134 (2010: 307,762,522) ordinary shares in issue during the period.

No diluted (loss) 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 2011 by independent valuers. The directors were aware of the possible change in the conditions of the property market. 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 neither acquired nor disposed any investment properties.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired certain property, plant and equipment with an aggregate carrying amount of approximately HK\$231,000 (2010: HK\$1,210,000). During the period, items of property, plant and equipment with a net book value of HK\$2,295 (2010: Nil) were disposed resulting in a gain on disposal of HK\$255 (2010: Nil).

11. LOANS AND RECEIVABLES

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Listed overseas debt securities	<u>8,110</u>	<u>8,110</u>

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 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 2011 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.

11. **LOANS AND RECEIVABLES** (Continued)

Reclassification

	Into: Loans and receivables			Effect if no assets would have been reclassified (1 July 2008 until 30 September 2011)
	1 July 2008	30 September 2011		Consolidated statement of comprehensive income
	Carrying amount	Carrying amount	Fair value	income
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
out of:				
Financial assets held for trading	8,110	8,110	7,853	(257)
	<u>8,110</u>	<u>8,110</u>	<u>7,853</u>	<u>(257)</u>

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

12. **TRADE AND OTHER RECEIVABLES**

Included in the trade and other receivables was rental receivable of HK\$140,600 (31 March 2011: HK\$38,607) 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 considered that the carrying amount of trade and other receivables approximates their fair value.

13. **FINANCIAL ASSETS HELD FOR TRADING**

	30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
Analysis of financial assets held for trading		
Listed overseas debt securities	102,465	113,538
Listed overseas equity securities	7,919	8,491
Listed local equity securities	9,045	12,320
	<u>119,429</u>	<u>134,349</u>
Market value	<u>119,429</u>	<u>134,349</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 was prepaid rental from tenants of HK\$1,740,605 (31 March 2011: HK\$1,736,959).

At the end of the reporting period, all the prepaid rental from tenants had an age of less than 90 days.

The directors considered 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 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within one year	42,758	8,746
More than one year but not exceeding two years	114,790	212,778
More than two years but not exceeding five years	227,070	164,032
More than five years	<u>10,579</u>	<u>11,313</u>
	395,197	396,869
Less: Amounts due within one year	<u>(42,758)</u>	<u>(8,746)</u>
	<u>352,439</u>	<u>388,123</u>

Nearly all of the bank loans are denominated in Hong Kong dollars with variable interest rate from 0.5% to 2.0% over HIBOR (31 March 2011: 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 Canadian prime rate plus 1.0% (31 March 2011: prime rate plus 1.0%) per annum.

16. SHARE CAPITAL

	30 September 2011		31 March 2011	
	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)
Authorised:	<u>400,000,000</u>	<u>200,000</u>	<u>400,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the period	307,762,522	153,881	307,762,522	153,881
Cancellation upon repurchase of own shares	<u>(4,000)</u>	<u>(2)</u>	—	—
At end of the period	<u>307,758,522</u>	<u>153,879</u>	<u>307,762,522</u>	<u>153,881</u>

On 28 April 2011, 4,000 ordinary shares repurchased on the Stock Exchange were cancelled. The nominal value of HK\$2,000 of all the shares cancelled during the period was credited to capital redemption reserve and the relevant aggregate consideration of HK\$13,315 was deducted from the Company's accumulated profits.

17. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$180,000 (2010: HK\$180,000) from an associate of the Company, Win Easy Development Limited.

The directors of the Group considered that they were the key management personnel of the Group and their remunerations were HK\$5,273,232 (2010: HK\$4,263,700).

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounting to HK\$691,248,000 (31 March 2011: HK\$616,748,000) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK\$1,603,680,944 (31 March 2011: HK\$1,441,882,066). These facilities were utilised to the extent of HK\$395,197,247 (31 March 2011: HK\$396,868,806) 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 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Subsidiaries	–	–	395,197	396,869
Associates	24,000	24,000	24,000	24,000
	24,000	24,000	419,197	420,869

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 had no capital commitments (31 March 2011: Nil).

21. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Lease payments paid under operating leases in respect of rented properties during the period	408	230

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 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within one year	408	816
In the second to fifth year inclusive	–	–
	408	816

Operating lease payments represent rental payable by the Group for the quarters of a director.

21. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.3% (31 March 2011: 3.2%) 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 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within one year	62,212	56,475
In the second to fifth year inclusive	30,256	31,505
	92,468	87,980

22. EVENTS AFTER THE REPORTING PERIOD

On 23 November 2011, a wholly-owned subsidiary of the Company signed a formal sale and purchase agreement with an independent third party for the disposal of the shop premises situated at Ground Floor, Wing Lok House, No.3 Lock Road, Tsimshatsui, Kowloon for a cash consideration of HK\$77,700,000. The completion of the disposal is scheduled to take place on or before 29 February 2012. The detail of the transaction was set out in the Company's announcement dated 8 November 2011.

On 30 November 2011, a wholly-owned subsidiary of the Company is scheduled to sign a formal sale and purchase agreement with an independent third party for the disposal of Shop H on the ground floor of Carnarvon Mansion, 8-12E Carnarvon Road, Tsimshatsui, Kowloon for a cash consideration of HK\$36,000,000. The completion of the disposal is scheduled to take place on or before 30 March 2012.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30 September 2011 of HK1.8 cents per share payable to shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 15 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 15 December 2011 to Monday, 19 December 2011, 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, 14 December 2011. Dividend warrants will be dispatched to shareholders on Thursday, 22 December 2011.

BUSINESS REVIEW AND PROSPECT

The Group's gross rental income for the six months ended 30 September 2011 amounted to HK\$35.3 million, an increase of 5.4% from the same period of last year. The Group's loss for the period amounted to HK\$6.2 million.

During the period, the Group's overall rental income recorded a moderate increase. The shops and office properties generally recorded a respectable increase in rental rate upon the renewal of the leases during the period. The Group's rental portfolio achieved an average occupancy rate of 97% during the period.

The Group has signed agreements in November 2011 to sell the shop situated on the ground floor of Wing Lok House, 3 Lock Road, Tsimshatsui for a cash consideration of HK\$77.7 million and Shop H, Carnarvon Mansion, 8-12E Carnarvon Road, Tsimshatsui for a cash consideration of HK\$36.0 million. The sales are scheduled to complete in the first quarter of 2012.

During the period, the Group recorded a loss of HK\$23.4 million in its securities investment business due to the turbulence in the global financial market.

The recent economic environment is changing rapidly. The US economy continues to weaken amid the downgrade of its sovereign credit rating. Meanwhile the European states and banks are also fighting against their own sovereign debt crisis, raising fears of spreading global economic weakening. In the Mainland China, inflation continues to rear ahead prompting the authority to maintain its restrictive monetary and housing policies. Therefore the world economy will face even more challenges next year. However, it should be cautiously optimistic that the current crisis will be overcome as the nations have been collaborating to solve various economic problems.

Trading activities have slowed down in the local residential property market. As more supply is expected in the future and the local economy is heading for correction, the residential property price will drift downwards. Meanwhile the commercial shops and office markets will also be affected by the global economic uncertainty. However 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 2011 amounted to HK\$35.3 million (2010: HK\$33.5 million), an increase of 5.4% from the same period of last year. Commercial shop properties located along Granville Road and Lock Road recorded a higher increase in rental rate upon the lease renewal. Office properties also achieved higher rental rates during the period. The Group's share of gross rental income from an associate amounted to HK\$4.5 million (2010: HK\$4.4 million), an increase of 2.8% from the same period of last year.

The Group's interest and dividend income for the six months ended 30 September 2011 amounted to HK\$7.2 million (2010: HK\$4.8 million), an increase of 48.9% from the same period of last year due to the increase in debt and equity securities investments during the period. At 30 September 2011, the Group held debt and equity securities investments amounting to HK\$127.5 million (31 March 2011: HK\$142.5 million), a decrease of 10.5% from the previous year-end.

Results

The Group's loss for the six months ended 30 September 2011 amounted to HK\$6.2 million (2010: profit of HK\$27.3 million). The loss was due to the realised and unrealised losses on securities investments upon disposal or revaluation, partially offset by higher rental income and interest and dividend income during the period. The Group's share of loss of associates after taxation amounted to HK\$277,000 (2010: profit of HK\$3.0 million). The loss was due to the unrealised loss on securities investments upon revaluation at the end of the period.

Loss per share for the six months ended 30 September 2011 was HK2.01 cents (2010: earnings per share of HK8.86 cents). The declared interim dividend was HK1.8 cents (2010: HK1.8 cents) per share, the same as the prior period of last year.

Liquidity, Bank Borrowings and Finance Costs

At 30 September 2011, the Group's net current assets including bank balances and cash of HK\$37.1 million amounted to HK\$92.4 million (31 March 2011: HK\$138.5 million). At 30 September 2011, the Group's banking facilities amounting to HK\$691.2 million (31 March 2011: HK\$616.7 million) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK\$1,603.7 million (31 March 2011: HK\$1,441.9 million). At 30 September 2011, these facilities were utilised to the extent of HK\$395.2 million (31 March 2011: HK\$396.9 million).

At 30 September 2011, the total amount of outstanding bank borrowings net of bank balances and cash were HK\$358.1 million (31 March 2011: HK\$364.6 million), a decrease of HK\$6.5 million from the previous year-end. The decrease in bank borrowings was due to the use of rental income for loan repayment during the period. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 16.2% (31 March 2011: 16.4%).

Of the total bank borrowings at 30 September 2011, HK\$42.7 million or 10.8% were repayable within one year, HK\$114.8 million or 29.0% were repayable after one year but within two years, HK\$227.1 million or 57.5% were repayable after two years but within five years and HK\$10.6 million or 2.7% were repayable after five years.

The Group's finance costs for the six months ended 30 September 2011 were HK\$2.5 million (2010: HK\$2.2 million), an increase of 16.9% from the same period of last year. The increase was due to higher interest margin paid to the banks during the period.

FINANCIAL OPERATION REVIEW (Continued)

Shareholders' Funds

At 30 September 2011, the Group's shareholders' funds amounted to HK\$2,207.0 million (31 March 2011: HK\$2,221.8 million), representing a decrease of HK\$14.8 million from the previous year-end. The net asset value per share was HK\$7.17 (31 March 2011: HK\$7.22).

At 30 September 2011, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2011, the total number of staff of the Group was 15 (2010: 15). The total staff costs including Directors' emoluments amounted to HK\$5.2 million (2010: HK\$4.4 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS

At 30 September 2011, 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	173,504,896	56.38
	Interest of Controlled Corporation (Note)	Corporate Interest	171,468,896		
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 145,646,000 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 171,468,896 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 2011 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2011, 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	173,504,896	173,504,896	56.38
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	145,646,000	145,646,000	47.32
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	145,646,000	145,646,000	47.32
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 145,646,000 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 2011, 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

During the period, the Company purchased a total of 4,000 ordinary shares of HK\$0.5 each on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$13,200. All of the purchased shares were cancelled.

Month of purchase	Total number of ordinary shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
April 2011	<u>4,000</u>	3.30	3.30	<u>13,200</u>

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in net asset value per share then issue.

Saved as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the period.

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 2011 and the 2011/2012 Interim Report with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2011, 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 2011.

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, 30 November 2011