



TERN PROPERTIES COMPANY LIMITED

INTERIM REPORT 2001/2002

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 2001, together with the comparative figures for the corresponding period in the previous year are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2001

		Six months ended	
		30 September	
		2001	2000
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	25,287	23,289
Property expenses		(777)	(650)
Cost of sales of trading securities		(8,718)	(7,938)
Unrealised holding gain on other investments		41	—
		15,833	14,701
Other revenue		120	1,137
Administrative expenses		(5,297)	(8,236)
Loss on disposal of property, plant and equipment		(4,208)	—
Profit from operations	4	6,448	7,602
Interest income		2,127	296
Finance costs		(4,560)	(5,477)
Share of results of associates		4,094	3,341
Profit before taxation		8,109	5,762
Taxation	5	(888)	(744)
Profit for the period		<u>7,221</u>	<u>5,018</u>
Interim dividend	6	<u>3,078</u>	<u>3,078</u>
Earnings per share	7	<u>2.3 cents</u>	<u>1.6 cents</u>

There were no recognised gains or losses other than the profit for the period.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2001

		30 September 2001 <i>HK\$'000</i> (Unaudited)	31 March 2001 <i>HK\$'000</i> (Audited) (Restated)
Non-current assets			
Investment properties	8	638,711	638,711
Property, plant and equipment		20,348	36,967
Interests in associates		158,488	159,069
Investments in securities		57,751	19,314
Club debentures		2,160	2,160
		877,458	856,221
Current assets			
Trade and other receivables	9	8,286	1,430
Bank deposits		8,000	15,000
Bank balances and cash		1,545	1,142
		17,831	17,572
Current liabilities			
Trade and other payables	10	13,308	9,420
Rental deposits from tenants		7,981	7,951
Tax liabilities		840	346
Bank loans - due within one year	14	55,587	17,013
Bank overdrafts - secured		10,213	39,562
		87,929	74,292
Net current liabilities		(70,098)	(56,720)
Total assets less current liabilities		807,360	799,501
Capital and reserves			
Share capital	11	153,906	153,906
Reserves	12	551,766	547,623
Dividend reserve	13	3,078	4,617
		708,750	706,146
Non-current liabilities			
Bank loans - due after one year	14	98,610	93,355
		807,360	799,501

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2001

	Six months ended 30 September	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Net cash inflow from operating activities	7,969	7,487
Net cash outflow from returns on investments and servicing of finance	(6,790)	(10,256)
Tax paid	(169)	(1,792)
Net cash (outflow) inflow from investing activities	<u>(22,087)</u>	<u>2,624</u>
Net cash outflow before financing	(21,077)	(1,937)
Net cash outflow from financing	<u>(1,171)</u>	<u>(12,560)</u>
Decrease in cash and cash equivalents	(22,248)	(14,497)
Cash and cash equivalents at beginning of period	<u>(23,420)</u>	<u>(8,186)</u>
Cash and cash equivalents at end of period	<u><u>(45,668)</u></u>	<u><u>(22,683)</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of the Group's investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAP issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following accounting policies.

In accordance with SSAP 9 (revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment of increasing the shareholders’ fund at 31 March 2001 by HK\$4,617,000.

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

3. SEGMENT INFORMATION

	Turnover		Segment result	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By business segment:				
Property investment	16,347	15,053	10,393	7,304
Securities investment	8,940	8,236	2,182	574
	<u>25,287</u>	<u>23,289</u>	12,575	7,878
Unallocated corporate expenses			(6,127)	(276)
Profit from operations			<u>6,448</u>	<u>7,602</u>

The majority of the activities of the Group are based in Hong Kong and more than 95% of the Group’s turnover and profit from operations are derived from Hong Kong.

4. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation	552	750
Loss on disposal of property, plant and equipment	<u>4,208</u>	<u>—</u>

5. TAXATION

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current period	520	312
Under-provision in prior period	143	—
	<u>663</u>	<u>312</u>
Share of tax on results of associates	225	432
	<u>888</u>	<u>744</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period. No provision for deferred tax has been made in the financial report as the amount involved is immaterial.

6. INTERIM DIVIDEND

On 10 September 2001, a dividend of 1.5 cents (2000: 1.5 cents) per share was paid to shareholders as the final dividend for 2001.

The Board of Directors has declared an interim dividend of 1.0 cent (2000: 1.0 cent) per share amounting to HK\$3,078,000 payable on 7 January 2002 to the shareholders whose names appear on the Register of Members on 28 December 2001.

7. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the period of HK\$7,221,000 (2000: HK\$5,018,000) and on 307,812,522 (2000: weighted average number of 308,056,500) ordinary shares in issue during the period.

8. INVESTMENT PROPERTIES

At 30 September 2001, the Directors have considered the carrying amount of the Group's investment properties and leasehold land and buildings carried at revalued amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are rentals receivable of HK\$418,000 (31 March 2001: HK\$281,000) with defined credit policy. The rental income is billed in advance and settlement is expected upon presentation of invoices.

All rentals receivable at the balance sheet date have an aging of less than three months.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are rentals receipt in advance of HK\$538,000 (31 March 2001: HK\$550,000).

All rentals receipt in advance at the balance sheet date have an aging of less than three months.

11. SHARE CAPITAL

	30 September 2001		31 March 2001	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.5 each				
Balance brought forward and carried forward	<u>400,000,000</u>	<u>200,000</u>	<u>400,000,000</u>	<u>200,000</u>
Issued and fully paid:				
Balance brought forward	307,812,522	153,906	308,138,522	154,069
Shares repurchased and cancelled	<u>-</u>	<u>-</u>	<u>(326,000)</u>	<u>(163)</u>
Balance carried forward	<u>307,812,522</u>	<u>153,906</u>	<u>307,812,522</u>	<u>153,906</u>

During the year ended 31 March 2001, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (before expense) HK\$
		Highest HK\$	Lowest HK\$	
August 2000	326,000	1.40	1.40	456,400

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits of the Company.

There were no movements in the share capital of the Company for the six months ended 30 September 2001.

12. RESERVES

	Share premium account	Investment property revaluation reserve	Capital redemption reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000	72,818	214,911	2,499	238,930	529,158
Share of reserve movement of an associate during the year	-	8,375	-	-	8,375
Surplus on revaluation	-	3,589	-	-	3,589
Repurchase of shares	-	-	163	(458)	(295)
Profit for the year	-	-	-	14,486	14,486
Dividends	-	-	-	(7,690)	(7,690)
At 31 March 2001	<u>72,818</u>	<u>226,875</u>	<u>2,662</u>	<u>245,268</u>	<u>547,623</u>
Profit for the period	-	-	-	7,221	7,221
Dividend	-	-	-	(3,078)	(3,078)
At 30 September 2001	<u>72,818</u>	<u>226,875</u>	<u>2,662</u>	<u>249,411</u>	<u>551,766</u>

13. DIVIDEND RESERVE

HK\$'000

At 1 April 2000	
Originally stated	—
Prior year adjustment	4,626
As restated	<u>4,626</u>
2000 final dividend paid	(4,626)
2001 interim dividend proposed	3,078
2001 interim dividend paid	(3,078)
2001 final dividend proposed	<u>4,617</u>
At 31 March 2001	4,617
2001 final dividend paid	(4,617)
2002 interim dividend proposed	<u>3,078</u>
At 30 September 2001	<u><u>3,078</u></u>

14. BANK LOANS

During the period, the Group obtained new bank loans amounting to HK\$66 million. The loans bear interest at market rates and are repayable within periods of 1 month to 10 years.

15. CONTINGENCIES AND COMMITMENTS

At the balance sheet date, the Group had no significant contingent liabilities and capital commitments.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 1.0 cent (2000: 1.0 cent) per share payable on 7 January 2002 to the shareholders whose names appear on the Register of Members on 28 December 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 28 December 2001 to Friday, 4 January 2002, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 27 December 2001.

BUSINESS REVIEW AND PROSPECT

During the period, the Group continued to achieve an average occupancy rate of over 98% for its rental portfolio. Since the Group's quality shops and office properties are situated in excellent location, the properties have been fully leased. Rental rates were usually higher upon lease renewal. However rental rates have begun to retreat after the U.S. attack in September and the subsequent negative impact on the global economy.

The Group continued to generate substantial interest income from its high yield securities investment during the period.

The events unfolding since September resulted in further slow down in the global economy. The already sagging local economy has been affected even harder. The GDP growth is grinding to a halt with consumer confidence falling to a low level. Both the commercial and residential property markets in sale and leasing have been sluggish recently. However the global economy is expected to improve gradually in the coming quarters. The economy in China will continue to show impressive growth. Therefore the local economy and the property market are expected to improve next year. The Group's rental income in the second half of the year will be slightly lower than that in the first half. Nevertheless the Group will continue to generate substantial interest income from its securities investment and save interest expense from the low prevailing mortgage rate.

FINANCIAL OPERATION REVIEW

Operation

Gross rental income for the six months ended 30 September 2001 amounted to HK\$16.3 million (2000: HK\$15.1 million), representing an increase of 8.6% over that of the same period of previous year. The increase was due to the general improvement of the shop leasing market over that of the same period of previous year. The Group's share of gross rental income from an associate amounted to HK\$4.9 million (2000: HK\$4.2 million), representing an increase of 15.2% over that of the same period of previous year.

The average occupancy rate of the Group's rental portfolio continued to be above 98% during the period. All the properties remained fully leased except a few office units in Central.

Results

The Group's profit for the six months ended 30 September 2001 amounted to HK\$7.2 million (2000: HK\$5.0 million), representing an increase of 43.9% over that of the same period of previous year. The increase was due to higher rental income, higher interest income from investments in securities, and lower interest and administrative expenses partially offset by the loss on disposal of a residential property during the period. The Group's share of results of associates after taxation amounted to HK\$3.9 million (2000: HK\$2.9 million), representing an increase of 33.0% over that of the same period of previous year.

Earnings per share for the six months ended 30 September 2001 were 2.3 cents (2000: 1.6 cents), representing an increase of 0.7 cent over that of the same period of previous year. The declared interim dividend of 1.0 cent per share was unchanged from the same period of previous year.

Finance, Net Assets and Capital

At 30 September 2001, the total amount of outstanding bank borrowings net of cash and time deposits were HK\$154.9 million (31 March 2001: HK\$133.8 million), an increase of HK\$21.1 million over that of the previous year-end. The ratio of net bank borrowings to total net assets was 21.9% (31 March 2001: 19.1%). The increase in bank borrowings was due to the increase in the investments in bond securities during the period.

At 30 September 2001, the Group's total net assets amounted to HK\$708.7 million (31 March 2001: HK\$706.1 million), representing an increase of HK\$2.6 million over that of the previous year-end. The net asset value per share was HK\$2.30 which remained approximately the same from that of the previous year-end.

The Company did not repurchase any of its issued shares during the six months ended 30 September 2001.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of ordinary shares held		
	Personal interests	Corporate interests	Total
Mr. Chan Hoi Sow	2,036,000	173,996,896(<i>Note</i>)	176,032,896
Mr. Chan Yan Tin, Andrew	792,000	Nil	792,000
Mr. Chan Siu Keung, Leonard	Nil	Nil	Nil
Mr. Lee Yip Wah, Peter	Nil	Nil	Nil
Mr. Lee Ka Sze, Carmelo	Nil	Nil	Nil

Note: Mr. Chan Hoi Sow had a controlling interest in Dingfar Holdings Ltd. which, through Noranger Company Limited, held 143,474,000 shares in the capital of the Company. He also had a controlling interest in Evergrade Investments Limited which held 30,522,896 shares in the capital of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madam Loo Kuo Pin, were deemed to have interests in 173,996,896 shares in the capital of the Company.

Other than as disclosed above, none of the Directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors, nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name	Number of ordinary shares	%
Noranger Company Limited	143,474,000	46.6
Dingfar Holdings Ltd. (<i>Note</i>)	143,474,000	46.6

Note: Dingfar Holdings Ltd. beneficially owns a controlling interest in the issued share capital of Noranger Company Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Noranger Company Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital at 30 September 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2001.

AUDIT COMMITTEE

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 accounts for the six months ended 30 September 2001 with the Directors.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six month period ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Chan Hoi Sow
Chairman

Hong Kong, 3 December 2001