



TERN PROPERTIES COMPANY LIMITED

STOCK CODE: 277

2008/2009 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 2008, 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 2008

		Six months ended	
		30 September	
		2008	2007
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
Turnover		32,351	28,154
Property expenses		(1,135)	(1,307)
		<hr/>	<hr/>
Gross profit		31,216	26,847
Loss on disposal of loans and receivables		–	(14)
Unrealised loss on loans and receivables		(467)	(1,702)
Interest income		384	2,977
Other operating (loss) income		(451)	1,112
Gain on disposal of investment properties		400	1,131
Administrative expenses		(8,737)	(8,676)
		<hr/>	<hr/>
Profit from operations		22,345	21,675
Finance costs		(6,290)	(10,576)
Share of results of associates		5,667	2,855
		<hr/>	<hr/>
Profit before taxation		21,722	13,954
Taxation	5	314	(1,967)
		<hr/>	<hr/>
Profit for the period	6	22,036	11,987
		<hr/> <hr/>	<hr/> <hr/>
Dividends	7	1,539	4,925
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	8	HK7.16 cents	HK3.89 cents
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CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited) (Restated)
Non-current assets			
Investment properties	9	1,727,508	1,729,140
Property, plant and equipment		9,168	9,723
Leasehold land		73,413	73,931
Interests in associates		309,074	303,407
Available-for-sale investments		2,160	2,160
Loans and receivables		8,110	8,577
		<u>2,129,433</u>	<u>2,126,938</u>
Current assets			
Trade and other receivables	10	1,874	4,669
Leasehold land – current portion		1,036	1,036
Tax recoverable		–	393
Time deposit, bank balances and cash		45,272	31,998
		<u>48,182</u>	<u>38,096</u>
Current liabilities			
Trade and other payables	11	8,682	11,467
Rental deposits from tenants		17,095	17,321
Tax liabilities		1,724	1,733
Amount due to an associate		2,440	29,990
Secured bank loans – due within one year		8,567	470
		<u>38,508</u>	<u>60,981</u>
Net current assets (liabilities)		<u>9,674</u>	<u>(22,885)</u>
Non-current liabilities			
Deferred tax liabilities		11,948	13,138
Secured bank loans – due after one year		433,562	411,043
		<u>445,510</u>	<u>424,181</u>
Net assets		<u>1,693,597</u>	<u>1,679,872</u>
Capital and reserves			
Share capital	12	153,906	153,906
Reserves		1,539,691	1,525,966
		<u>1,693,597</u>	<u>1,679,872</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

(Unaudited)

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008	153,906	72,818	2,662	8,311	1,442,175	1,679,872
Profit for the period	–	–	–	–	22,036	22,036
Dividends declared	–	–	–	1,539	(1,539)	–
Dividends paid	–	–	–	(8,311)	–	(8,311)
At 30 September 2008	<u>153,906</u>	<u>72,818</u>	<u>2,662</u>	<u>1,539</u>	<u>1,462,672</u>	<u>1,693,597</u>
At 1 April 2007	153,906	72,818	2,662	7,696	1,107,331	1,344,413
Profit for the period	–	–	–	–	11,987	11,987
Dividends declared	–	–	–	4,925	(4,925)	–
Dividends paid	–	–	–	(7,696)	–	(7,696)
At 30 September 2007	<u>153,906</u>	<u>72,818</u>	<u>2,662</u>	<u>4,925</u>	<u>1,114,393</u>	<u>1,348,704</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six month ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	25,096	22,047
Net cash used in investing activities	(25,261)	(57,264)
Net cash generated from (used in) financing activities	13,107	(11,553)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	12,942	(46,770)
Cash and cash equivalents at beginning of the period	31,998	68,376
Effect of foreign exchange rate change, net	332	(1,530)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	45,272	20,076
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	2,422	6,076
Bank deposits	42,850	14,000
	<hr/>	<hr/>
	45,272	20,076
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office of the Company is 26th Floor, Tern Centre, Tower 1, 237 Queen's Road Central, Hong Kong.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2008 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 interim period, the Group has applied, for the first time, the following amendments and new interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

Reclassification

	Into: Loans and receivables			Effect if no assets would have been reclassified (1 July 2008 until 30 September 2008)
	1 July 2008	30 September 2008		
	Carrying amount <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	
Out of:				
Investments held for trading	8,110	8,110	8,154	44
In addition, the Group's principal associate, Easyman Limited, has also made use of the HKAS 39 and HKFRS 7 (Amendments). Details of the financial assets reclassified and the effect on the Group's financial statements are set out below:				
Out of:				
Investments held for trading	73,546	73,546	56,858	(16,688)
Share of effect by the Group				(8,344)
Effect on the Group:				
Aggregate decrease in net assets of the Group				(8,300)
Decrease in earnings per share of the Group				HK2.7 cents

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

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 1, HKAS 32, HKAS 39 and HKFRS 7 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ³
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ²
HK(IFRIC) – Int 15	Arrangements for Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2008.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods beginning on or after 1 October 2008.

The Directors are in the process of assessing the potential impact and expect that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

Business segment

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

Geographical segments

Over 90% of the activities of the Group during the period were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

5. TAXATION

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
The (credits) charges comprise:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current period	1,518	943
Overprovision in prior year	(642)	(4)
	<u>876</u>	<u>939</u>
Deferred tax (credits) expenses		
Current period	(1,190)	1,028
	<u>(314)</u>	<u>1,967</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Auditors' remuneration	145	140
Depreciation	707	563
Amortisation on leasehold land	518	46
Exchange loss (gain)	248	(1,064)
Loss on disposal of loans and receivables	–	14
Staff costs (including Directors' remuneration)	4,032	3,801
Mandatory provident fund contributions	49	48
Total staff costs	4,081	3,849
Gross rental income from investment properties	(32,351)	(28,154)
Less:		
Direct operating expenses from investment properties that generated rental income	1,026	1,114
Direct operating expenses from investment properties that did not generate rental income	109	193
Net rental income	(31,216)	(26,847)

7. DIVIDENDS

On 13 August 2008, a dividend of HK2.7 cents per share was paid to shareholders as the final dividend for the financial year ended 31 March 2008.

The Board of Directors has declared an interim dividend of HK0.5 cent (2007: HK1.6 cents) per share amounting to HK\$1,539,000 payable on 9 January 2009 to the shareholders whose names appear on the Register of Members on 2 January 2009.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$22,036,000 (2007: HK\$11,987,000) and on 307,812,522 (2007: 307,812,522) ordinary shares in issue during the period.

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

9. INVESTMENT PROPERTIES

The investment properties of the Group were not revalued at 30 September 2008 by independent valuers. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from those which had been determined using fair values at the balance sheet date. Consequently, no increase or decrease in fair value of investment properties has been recognised in the current period.

During the period, the Group disposed investment properties amounted to HK\$1,300,000.

10. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables is rental receivable of HK\$256,000 (31 March 2008: HK\$821,000) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

All the rental receivable at the balance sheet date had an age of less than 90 days.

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

11. TRADE AND OTHER PAYABLES

Included in trade and other payables is prepaid rental from tenants of HK\$1,441,000 (31 March 2008: HK\$968,000).

All the prepaid rental at the balance sheet date had an age of less than 90 days.

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

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	30 September 2008	31 March 2008	30 September 2008 <i>HK\$'000</i>	31 March 2008 <i>HK\$'000</i>
THE COMPANY				
Authorised:	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906</u>	<u>153,906</u>

There were no movements in the share capital of the Company for the six months ended 30 September 2008.

13. RELATED PARTY TRANSACTIONS

During the period, the Group received office rental income of HK\$180,000 (2007: 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\$4,093,000 (2007: HK\$3,572,000).

14. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities amounting to HK\$589,248,000 (31 March 2008: HK\$569,248,000) were fully secured by its investment properties and leasehold land and buildings with an aggregate carrying value amounting to HK\$1,601,968,000 (31 March 2008: HK\$1,591,635,000). These facilities were utilised to the extent of HK\$442,129,000 (31 March 2008: HK\$411,513,000) as at the balance sheet date.

15. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	The Group		The Company	
	30 September 2008	31 March 2008	30 September 2008	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subsidiaries	–	–	442,129	411,513
Associates	36,000	55,000	36,000	55,000
	36,000	55,000	478,129	466,513

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.

16. CAPITAL COMMITMENTS

At the balance sheet date, the Group has no capital commitments.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30 September 2008 of HK0.5 cent (2007: HK1.6 cents) per share payable on 9 January 2009 to the shareholders whose names appear on the Register of Members on 2 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 2 January 2009 to Tuesday, 6 January 2009, 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 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, 31 December 2008.

BUSINESS REVIEW AND PROSPECT

The Group's gross rental income including its share from an associate for the six months ended 30 September 2008 amounted to HK\$38.9 million, an increase of 14.2% from the same period of last year. The Group's profit for the period amounted to HK\$22.0 million, an increase of 83.8% from the same period of last year.

During the period, the Group's rental income continued to increase due to the rental contribution from the acquisition of the shop property on the ground floor of Wing Lock House on No. 3 Lock Road, Tsimshatsui and Shop H on the ground floor of Carnarvon Mansion on Nos. 8-12E Carnarvon Road, Tsimshatsui in the first quarter of this year and the upward revision of rental rates for the Group's other shops and office properties. The Group's rental portfolio achieved a high average occupancy rate of 99% during the period.

The Group continued to hold three residential suites in Pointe Claire in the City of Vancouver, Canada for rental income purpose during the period.

The subprime loan crisis has developed into a debacle for the global financial system which in turn triggered a rapid correction in the world economy. Various authorities are endeavouring to revive the economy. However economic improvements can only be achieved with significant challenge ahead and after numerous financial problems have been resolved. Meanwhile the central government has initiated measures to stimulate the Mainland economy. These measures will stabilise the conditions in various sectors of the economy.

In the local residential property market, trading activities have slowed down amid downward price adjustment due to the weakening economy, and are expected to remain so in the first quarter of next year. In the local commercial property market, the capital and rental values of shops and office properties also have downward pressure. However the Group's rental income is expected to stabilise in the second half of the year.

FINANCIAL OPERATION REVIEW

Operation

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

The Group's turnover, which represents gross rental income for the six months ended 30 September 2008 amounted to HK\$32.4 million (2007: HK\$28.2 million), an increase of 14.9% from the same period of last year. During the period, the Group's rental income continued to increase due to the rental contribution from the acquisition of two shop properties in Tsimshatsui in the first quarter of 2008 and the upward revision of rental rates for the Group's other investment properties upon renewal of leases during the period. The Group's share of gross rental income from an associate amounted to HK\$6.5 million (2007: HK\$5.9 million), an increase of 10.6% from the same period of last year.

The Group's interest income for the six months ended 30 September 2008 amounted to HK\$0.4 million (2007: HK\$3.0 million), a decrease of 87.1% from the same period of last year due to the decrease in debt securities investment. At 30 September 2008, the Group held debt securities investment amounting to HK\$8.1 million (31 March 2008: HK\$8.6 million), a decrease of HK\$0.5 million from the previous year-end.

Results

The Group's profit for the six months ended 30 September 2008 amounted to HK\$22.0 million (2007: HK\$12.0 million), an increase of 83.8% from the same period of last year. The increase was due to higher rental income and share of results of associates, lower interest expense and deferred tax expense partially offset by lower interest income generated during the period. The Group's share of results of associates after taxation amounted to HK\$5.7 million (2007: HK\$2.9 million), an increase of 98.5% from the same period of last year.

Earnings per share for the six months ended 30 September 2008 were HK7.16 cents (2007: HK3.89 cents), an increase of HK3.27 cents from the same period of last year. The declared interim dividend was HK0.5 cent (2007: HK1.6 cents) per share, a decrease of HK1.1 cents from the same period of last year.

Bank Borrowings and Finance Costs

At 30 September 2008, the Group's banking facilities amounting to HK\$589.2 million (31 March 2008: HK\$569.2 million) were secured by its investment properties, leasehold land and buildings with an aggregate carrying value amounting to HK\$1,602.0 million (31 March 2008: HK\$1,591.6 million). At 30 September 2008, these facilities were utilised to the extent of HK\$442.1 million (31 March 2008: HK\$411.5 million).

At 30 September 2008, the total amount of outstanding bank borrowings net of bank deposits, bank balances and cash of HK\$45.3 million were HK\$396.8 million (31 March 2008: HK\$379.5 million), an increase of HK\$17.3 million from the previous year-end. The increase in bank borrowings was due to repayment of an advance from an associate during the period. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 23.4% (31 March 2008: 22.6%).

Of the total bank borrowings at 30 September 2008, 1.9% are repayable within one year, 94.9% are repayable after one year but within five years and 3.2% are repayable after five years.

The Group's finance costs for the six months ended 30 September 2008 were HK\$6.3 million (2007: HK\$10.6 million), a decrease of 40.5% from the same period of last year. The decrease was due to lower market interest rate during the period.

Shareholders' Funds

At 30 September 2008, the Group's shareholders' funds amounted to HK\$1,693.6 million (31 March 2008: HK\$1,679.9 million), representing an increase of HK\$13.7 million from the previous year-end. The net asset value per share was HK\$5.50 (31 March 2008: HK\$5.46).

At 30 September 2008, the Group had no significant exposure to foreign exchange rate fluctuations.

Employees and Remuneration Policy

At 30 September 2008, the total number of staff of the Group was 11 (2007: 11). The total staff costs including Directors' emoluments amounted to HK\$4.1 million (2007: HK\$3.8 million). The Group reviews staff remuneration annually. The review is based on individual performance and merit.

DIRECTORS' INTERESTS

At 30 September 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	Beneficial Owner	Personal Interest	2,036,000	172,916,896	56.18
	Interest of Controlled Corporation (<i>Note</i>)	Corporate Interest	170,880,896		
Chan Yan Tin, Andrew	Beneficial Owner	Personal Interest	792,000	792,000	0.26
Chan Siu Keung, Leonard	-	-	-	-	0.00
Chan Kwok Wai	-	-	-	-	0.00
Tse Lai Han, Henry	-	-	-	-	0.00
Leung Kui King, Donald	-	-	-	-	0.00

Note: Mr. Chan Hoi Sow had a 100% interest in Beyers Investments Limited which, through its wholly owned subsidiary, Noranger Company Limited, held 145,058,000 shares of the Company. He also had a 100% interest in Evergrade Investments Limited which held 25,822,896 shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madame Chan Loo Kuo Pin, were deemed to have interests in 170,880,896 shares of the Company.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 30 September 2008 or had been granted or exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Loo Kuo Pin	Interest of Spouse (Note 1)	Family Interest	172,916,896	172,916,896	56.18
Noranger Company Limited	Beneficial Owner (Note 2)	Corporate Interest	145,058,000	145,058,000	47.13
Beyers Investments Limited	Interest of Controlled Corporation (Note 2)	Corporate Interest	145,058,000	145,058,000	47.13
Evergrade Investments Limited	Beneficial Owner (Note 3)	Corporate Interest	25,822,896	25,822,896	8.39
Edward Kew	Beneficial Owner (Note 4)	Personal Interest	5,461,200	25,968,494	8.44
	Interest of Spouse (Note 4)	Family Interest	8,856,494		
	Interest of Controlled Corporation (Note 4)	Corporate Interest	11,650,800		
Kew Youn Lunn	Beneficial Owner (Note 5)	Personal Interest	2,380,800	25,968,494	8.44
	Interest of Spouse (Note 5)	Family Interest	5,461,200		
	Interest of Controlled Corporation (Note 5)	Corporate Interest	18,126,494		

Notes:

1. The interest is in fact the same block of shares already disclosed under the personal and corporate interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
2. The two references to 145,058,000 shares relate to the same block of shares in the Company. These shares are held by Noranger Company Limited which is wholly owned by Beyers Investments Limited which in turn is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
3. These shares are held by Evergrade Investments Limited which is wholly owned by Mr. Chan Hoi Sow and accordingly form part of the block of shares already disclosed under the corporate interests of Mr. Chan Hoi Sow as disclosed in the section headed "DIRECTORS' INTERESTS".
4. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.
5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 30 September 2008, 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 2008.

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 2008 with the Directors.

CORPORATE GOVERNANCE

During the six months ended 30 September 2008, 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 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 2008.

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, 9 December 2008