



G-PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

Interim Report
For The Six Months
Ended 30th June, 2004

CORPORATE INFORMATION

Executive Directors:

Aaron Tam, Chong-cheong (*Chairman*)

Leung, Wing-pong

Jackie Shek, Lai-ping

Independent Non-executive Directors:

Leung, Yun-fai

Lam, Yat-fai

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RESULTS

In November, 2003, the financial year end date of G-Prop (Holdings) Limited (the “Company”) was changed from 31st March to 31st December to coincide with that of the ultimate holding company. The current interim period covers the six month period from 1st January, 2004 to 30th June, 2004.

The Board of Directors of the Company would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004 together with the comparative figures for the six months ended 30th September, 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2004

	<i>Notes</i>	1st January, 2004 to 30th June, 2004 (Unaudited) HK\$'000	1st April, 2003 to 30th September, 2003 (Unaudited) HK\$'000
Turnover	2	6,991	2,130
Direct costs		(6,026)	(1,967)
		965	163
Other operating income		32	441
Distribution costs		–	(4)
Administrative expenses		(1,769)	(1,968)
Other operating expenses		(3)	(11,796)
Loss from operations		(775)	(13,164)
Finance costs		(595)	(6,142)
Share of results of jointly controlled entities		(767)	–
Restructuring costs		–	(2,466)
Net gain on disposal of subsidiaries		3,493	–
Profit (loss) before taxation		1,356	(21,772)
Taxation	4	–	(1)
Profit (loss) before minority interests		1,356	(21,773)
Minority interests		–	2
Profit (loss) for the period		1,356	(21,771)
Basic earnings (loss) per share	5	HK\$0.002	HK\$(1.72)

CONDENSED CONSOLIDATED BALANCE SHEET
At 30th June, 2004

	<i>Notes</i>	30th June, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
Non-current Assets			
Investment properties	6	107,350	107,350
Property, plant and equipment	6	–	41
Interests in jointly controlled entities		–	767
Club debentures		220	220
		<hr/> 107,570 <hr/>	<hr/> 108,378 <hr/>
Current Assets			
Trade and other receivables	7	774	881
Investment in securities		–	4,800
Funds held by scheme administrator		–	5,000
Bank balances and cash		8,419	7,089
		<hr/> 9,193 <hr/>	<hr/> 17,770 <hr/>
Current Liabilities			
Trade and other payables	8	3,703	12,536
Amounts due to fellow subsidiaries			
– due within one year	9	1,414	1,869
Obligations under finance leases			
– due within one year		–	971
		<hr/> 5,117 <hr/>	<hr/> 15,376 <hr/>
Net Current Assets		<hr/> 4,076 <hr/>	<hr/> 2,394 <hr/>
		<hr/> 111,646 <hr/>	<hr/> 110,772 <hr/>
Capital and Reserves			
Share capital	10	6,912	1,826
Share premium and reserves		81,481	85,211
		<hr/> 88,393 <hr/>	<hr/> 87,037 <hr/>
Non-current Liabilities			
Amounts due to fellow subsidiaries			
– due after one year	9	22,673	23,152
Deferred tax liabilities		580	583
		<hr/> 23,253 <hr/>	<hr/> 23,735 <hr/>
		<hr/> 111,646 <hr/>	<hr/> 110,772 <hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June, 2004

	1st January 2004 to 30th June, 2004 (Unaudited) HK\$'000	1st April, 2003 to 30th September, 2003 (Unaudited) HK\$'000
Net cash from (used in) operating activities	2,443	(474)
Net cash (used in) from investing activities	(61)	222
Net cash (used in) from financing activities	(1,052)	689
Net increase in cash and cash equivalents	1,330	437
Cash and cash equivalents at the beginning of period	7,089	278
Cash and cash equivalents at the end of period	8,419	715

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2004

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Contributed surplus HK\$'000	Share capital deemed to be issued HK\$'000	Retained Profits (Deficit) HK\$'000	Total HK\$'000
At 1st April, 2003 (as restated)	12,641	162,599	234	82	392,380	–	(943,852)	(375,916)
Loss for the period	–	–	–	–	–	–	(21,771)	(21,771)
At 30th September, 2003	12,641	162,599	234	82	392,380	–	(965,623)	(397,687)
Effect of capital reduction	(12,515)	(162,599)	–	–	175,114	–	–	–
Transfer to deficit	–	–	–	–	(567,494)	–	567,494	–
Share issued at premium	1,700	16,300	–	–	–	–	–	18,000
Shares deemed to be issued on debt restructuring	–	–	–	–	–	5,086	–	5,086
Profit for the period	–	–	–	–	–	–	461,638	461,638
At 31st December, 2003	1,826	16,300	234	82	–	5,086	63,509	87,037
Share issued	5,086	–	–	–	–	(5,086)	–	–
Transfer to deficit	–	(16,300)	–	–	–	–	16,300	–
Profit for the period	–	–	–	–	–	–	1,356	1,356
At 30th June, 2004	6,912	–	234	82	–	–	81,165	88,393

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

1. Basis of preparation

In November, 2003, the financial year end date of the Company was changed from 31st March to 31st December to coincide with that of the ultimate holding company. The current interim period covers the six month period from 1st January, 2004 to 30th June, 2004. Accordingly, the comparative amounts shown for the condensed consolidated income statement; condensed consolidated cash flow statement; condensed consolidated statement of changes in equity and related notes cover the period of six months from 1st April, 2003 to 30th September, 2003.

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited.

The condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of investment properties and investment in securities. The accounting policies and methods of computation used are consistent with those followed in the preparation of the Group’s financial statements for the period ended 31st December, 2003.

2. Turnover and segment information

Business segments

During the period, the Group was re-organised into four operating activities – other investments; properties; investment and finance; and leasing. These divisions are the basis on which the Group reported its primary segment information.

Principal activities are as follows:

Other investments	–	trading of other investments
Properties	–	trading of properties held for resale
Investment and finance	–	engaging in investing and financing activities
Leasing	–	leasing of equipment and property rental

2. Turnover and segment information (cont'd)

Business segments (cont'd)

Segment information about these businesses is presented below:

For the period from 1st January, 2004 to 30th June, 2004

	Energy saving machine HK\$'000	Other investments HK\$'000	Properties HK\$'000	Investment and finance HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
Income statement:						
Turnover						
External sales	<u>-</u>	<u>4,800</u>	<u>-</u>	<u>195</u>	<u>1,996</u>	<u>6,991</u>
Segment result	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>195</u>	<u>755</u>	<u>922</u>
Interest income						<u>1</u>
Unallocated corporate expenses						<u>(1,698)</u>
Loss from operations						<u>(775)</u>
Finance costs						<u>(595)</u>
Share of results of jointly controlled entities	-	-	(767)	-	-	<u>(767)</u>
Net gain on disposal of subsidiaries						<u>3,493</u>
Profit before taxation						<u>1,356</u>
Taxation						<u>-</u>
Profit before minority interest						<u>1,356</u>

For the period from 1st April, 2003 to 30th September, 2003

	Energy saving machine HK\$'000	Other investments HK\$'000	Properties HK\$'000	Investment and finance HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
Income statement:						
Turnover						
External sales	<u>292</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>1,773</u>	<u>2,130</u>
Segment result	<u>48</u>	<u>-</u>	<u>-</u>	<u>(633)</u>	<u>(10,965)</u>	<u>(11,550)</u>
Interest income						<u>12</u>
Unallocated corporate expenses						<u>(1,626)</u>
Loss from operations						<u>(13,164)</u>
Finance costs						<u>(6,142)</u>
Restructuring costs						<u>(2,466)</u>
Loss before taxation						<u>(21,772)</u>
Taxation						<u>(1)</u>
Loss before minority interest						<u>(21,773)</u>

2. Turnover and segment information (cont'd)

Geographical segments

During the six months ended 30th June, 2004, the Group's operations are principally located in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue		Loss from operations	
	1st January, 2004 to 30th June, 2004 HK\$'000	1st April, 2003 to 30th September, 2003 HK\$'000	1st January, 2004 to 30th June, 2004 HK\$'000	1st April, 2003 to 30th September, 2003 HK\$'000
Hong Kong	6,991	1,838	922	(11,643)
PRC	–	168	–	108
Others	–	124	–	(15)
	<u>6,991</u>	<u>2,130</u>	<u>922</u>	<u>(11,550)</u>
Interest income			1	12
Unallocated corporate expenses			(1,698)	(1,626)
Loss from operations			<u>(775)</u>	<u>(13,164)</u>

3. Depreciation

	1st January, 2004 to 30th June, 2004 HK\$'000	1st April, 2003 to 30th September, 2003 HK\$'000
Depreciation of property, plant and equipment	<u>2</u>	<u>73</u>

4. Taxation

	1st January, 2004 to 30th June, 2004 HK\$'000	1st April, 2003 to 30th September, 2003 HK\$'000
The (charge) credit comprises:		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax	–	–
– overseas taxation	(3)	(1)
Deferred taxation	<u>3</u>	–
	<u>–</u>	<u>(1)</u>

No provision for Hong Kong Profits Tax has been made for the respective six months ended 30th June, 2004 and 30th September, 2003 as the Group which are subject to Hong Kong Profits Tax either incurred tax losses for the periods or have tax losses brought forward to set off assessable profit for the periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. Earnings (loss) per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$1,356,000 (1st April, 2003 to 30th September, 2003: loss of HK\$21,771,000) and on number of ordinary shares in issue during the period of 691,257,800 shares (1st April, 2003 to 30th September, 2003: on number of ordinary shares in issue of 12,641,386 shares which has been adjusted for the effect of share consolidation effective on 21st November, 2003).

No diluted loss per share has been calculated for the six months ended 30th September, 2003 as the exercise of the share options and the conversion of the convertible bonds would result in a decrease in the loss per share.

6. Investment properties, property, plant and equipment

In the opinion of the directors, the carrying value of investment properties of HK\$107,350,000 as at 30th June, 2004 approximates to that as at 31st December, 2003.

During the period, the Group's property, plant and equipment with cost of HK\$9,817,000 and accumulated depreciation and impairment loss of HK\$9,778,000 were eliminated on deconsolidation of subsidiaries.

7. Trade and other receivables

The Group allows an average credit period of 30 days to its trade debtors. Included in trade and other receivables of the Group were trade receivables of HK\$439,000 (31st December, 2003: HK\$434,000). Its aged analysis at the balance sheet date was as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Within 30 days	130	104
31 – 60 days	103	99
Over 60 days	206	231
	<u>439</u>	<u>434</u>

8. Trade and other payables

Included in trade and other payables of the Group were trade creditors of HK\$322,000 (31st December, 2003: HK\$2,033,000). Its aged analysis at the balance sheet date was as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Within 30 days	35	504
31 – 60 days	35	36
Over 60 days	252	1,493
	<u>322</u>	<u>2,033</u>

9. Amounts due to fellow subsidiaries

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Analysed as		
– Secured	23,619	24,074
– Unsecured	468	947
	<u>24,087</u>	<u>25,021</u>
The amounts are repayable as follows:		
Within one year or on demand	1,414	1,869
Between one to two years	994	969
Between two and five years	3,297	3,216
Over five years	18,382	18,967
	<u>24,087</u>	<u>25,021</u>
Less: Amounts due within one year	<u>(1,414)</u>	<u>(1,869)</u>
Amounts due after one year	<u>22,673</u>	<u>23,152</u>

10. Share capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 1st April, 2003 and 30th September, 2003 (HK\$0.01 each)	80,000,000,000	800,000
– consolidation of shares of 100 into 1	(79,200,000,000)	–
– subdivision of each unissued consolidated share (including the unissued consolidated shares arising from the capital reduction) into 100 new shares	<u>79,200,000,000</u>	<u>–</u>
At 30th June, 2004 and 31st December, 2003 (HK\$0.01 each)	<u>80,000,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1st April, 2003 and 30th September, 2003 (HK\$0.01 each)	1,264,138,618	12,641
– consolidation of shares and capital reduction	(1,251,497,232)	(12,515)
– issue of shares	<u>170,000,000</u>	<u>1,700</u>
At 31st December, 2003 (HK\$0.01 each)	182,641,386	1,826
– issue of shares	<u>508,616,414</u>	<u>5,086</u>
At 30th June, 2004 (HK\$0.01 each)	<u>691,257,800</u>	<u>6,912</u>

11. Contingent liabilities

The Group did not have any material contingent liabilities as at 30th June, 2004 and 31st December, 2003.

12. Related party transactions

During the period ended 30th June, 2004:

- (a) The Group received rental income of approximately HK\$22,000 (1st April, 2003 to 30th September, 2003: nil) from The House of Kwong Sang Hong Limited, an associated company of the ultimate holding company since 21st November, 2003, for the lease of Shop No.147 on the First Floor of Yuen Long New Place, Golden Hall Building, Yuen Long, New Territories, Hong Kong.
- (b) The Group paid interest of approximately HK\$595,000 (1st April, 2003 to 30th September, 2003: nil) to Oriental Ford Finance Limited, a fellow subsidiary of the Group since 21st November, 2003. These interests were charged at prevailing market rates based on outstanding balance during the period.
- (c) The Group paid management fee of approximately HK\$380,000 (1st April, 2003 to 30th September, 2003: nil) to Chase Master Company Limited, a fellow subsidiary of the Group since 21st November, 2003, as manager and leasing agent of certain investment properties held by the Group.
- (d) The Group also paid rental expenses of approximately HK\$21,000 (1st April, 2003 to 30th September, 2003: nil) to Chinese Estates, Limited, a fellow subsidiary of the Group since 21st November, 2003, for the lease of an office premises at Room 101 on First Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

13. Comparative figures

Certain comparative figures have been restated to conform to the current period's presentation. Due to the change of financial year end date of the Company from 31st March to 31st December in November, 2003, the current interim period covers a six month period from 1st January, 2004 to 30th June, 2004. The corresponding figures shown for the condensed consolidated income statement; condensed consolidated cash flow statement; condensed consolidated statement of changes in equity and related notes cover a six month period from 1st April, 2003 to 30th September, 2003.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30th June, 2004 (six months ended 30th September, 2003: nil).

BUSINESS REVIEW

Turnover for the period was HK\$7.0 million and was increased by 228.2% when compared with the previous period of 1st April, 2003 to 30th September, 2003 (“Previous Period”). The increase was mainly contributed by an increase in turnover of other investment of HK\$4.8 million.

Loss from operations was HK\$0.8 million and was decreased by 94.1% when compared with Previous Period. Excluding the effect of the deficit on revaluation of investment properties of HK\$11.1 million recorded in Previous Period, operating loss was decreased by 62.5%. Profit for the period amounted to HK\$1.4 million and was mainly due to the gain on disposal of subsidiaries of HK\$3.5 million.

Property rental income remains the core source of revenue. All rentals of the Group derived from the Golden Hall Building in Yuen Long and Chung Kiu Godown Building in Kwai Chung. The Group has been able to maintain the occupancy rates at high levels.

During the period, the other investments held by the Group were disposed of at the carrying value of HK\$4.8 million. Also during the period, loss-making subsidiaries with net liabilities were either taken over by provisional liquidators or struck off. Deconsolidation of net liabilities of these companies has resulted in a gain of HK\$3.5 million.

Golden Hall Building, Yuen Long

The Group owns the 3-storey shopping arcade which is now known as Yuen Long New Place and two residential units on the 4th floor of Golden Hall Building. The shopping arcade has a total gross floor area of approximately 19,127 square feet. As of 30th June, 2004, the shopping arcade was 90% let out.

Chung Kiu Godown Building, Kwai Chung

The Group owns nine levels of a total gross floor area of approximately 140,634 square feet and one carparking space on ground floor of this 24-storey industrial building located in Kwai Chung, New Territories. As of 30th June, 2004, the property was 91% let out.

FINANCIAL REVIEW

Net Asset Value

As at 30th June, 2004, the Group's total net asset was approximately HK\$88.4 million (31st December, 2003: HK\$87.0 million). During the period, the Company issued a total of 508,616,414 ordinary shares pursuant to the restructuring and settlement deeds and the number of ordinary shares in issue as at 30th June, 2004 was 691,257,800. Net asset value per share as at 30th June, 2004 was HK\$0.128 (Net asset value per share as at 31st December, 2003 after adjustment for inclusion of 508,616,414 ordinary shares to be issued: HK\$0.126).

Debt and Gearing

As at 30th June, 2004, the Group's borrowings were mainly the secured amount due to a fellow subsidiary of HK\$23.6 million (31st December, 2003: HK\$25.0 million). Cash and deposits at bank amounted to HK\$8.4 million (31st December, 2003: HK\$7.1 million) and net borrowings amounted to HK\$15.2 million (31st December, 2003: HK\$17.9 million).

Total debt to equity ratio was 26.7% (31st December, 2003: 28.7%) and net debt to equity ratio was 17.2% (31st December, 2003: 20.6%) which are expressed as a percentage of borrowings and net borrowings respectively over the total net assets of HK\$88.4 million (31st December, 2003: HK\$87.0 million). Of the Group's borrowings of HK\$23.6 million, 4.0%, 4.2%, 14.0% and 77.8% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. As at 30th June, 2004, the Group's borrowings were wholly denominated in Hong Kong dollars and carried interest calculated with reference to prime rate. The Group did not have any financial instruments used for hedging purpose. Nearly all assets and investments of the Group were denominated in Hong Kong dollars.

Pledge of Assets

As at 30th June, 2004 and 31st December, 2003, the Group's investment properties with book value of HK\$70.8 million were pledged to a fellow subsidiary to secure loan facilities of the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30th June, 2004 and 31st December, 2003.

Financial and Interest Income/Expenses

Interest income was included in turnover and other operating income. Interest received, other than from loans receivables, was minimal. Finance costs were mainly interest expenses on other borrowings. Interest expenses for the period were HK\$0.6 million, representing a decrease of 71.5% from Previous Period of HK\$2.1 million which was mainly due to the settlement and repayment of other short-term borrowings through the restructuring during the period ended 31st December, 2003.

Remuneration Policies

As at 30th June, 2004, the Group employed a total of 2 staff (30th September, 2003: 3 staff). Total staff cost for the period was approximately HK\$0.6 million (1st April, 2003 to 30th September, 2003: HK\$0.4 million) (excluding directors' remuneration). Remuneration package comprised salary and year-end bonuses based on individual merits.

PROSPECTS

The Group expects to continue to deliver a steady rental performance in the second half of the year and will continue to enhance its operation.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2004, none of the directors, chief executives nor their associates, had any interests or short positions in any shares, underlying shares or rights to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30th June, 2004, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions in shares

Name of Shareholder	Number of Shares	Capacity	Note	Percentage of Shareholding %
Million Point Limited	170,000,000	Beneficial owner	1	24.59
Cosmos Success Limited	170,000,000	Interest of a controlled corporation	1	24.59
Chinese Estates, Limited	170,000,000	Interest of a controlled corporation	1	24.59
Great Empire International Ltd.	37,162,165	Beneficial owner	2	5.38
Goldstance Group Limited	37,162,165	Interest of a controlled corporation	2	5.38
Paul Y. Holdings Company Limited	37,162,165	Interest of a controlled corporation	2	5.38
Luckpoint Investment Limited	76,877,685	Beneficial owner	3	11.12
China Entertainment and Land Investment Company, Limited	76,877,685	Interest of a controlled corporation	3	11.12
Paul Y. Holdings Company Limited	113,818,911	Beneficial owner	4	16.47
Chinese Estates Holdings Limited	397,858,761	Interest of controlled corporations	1, 2, 3 & 4	57.56

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO (cont'd)

Long positions in shares (cont'd)

Name of Shareholder	Number of Shares	Capacity	<i>Note</i>	Percentage of Shareholding %
Mr. Joseph Lau, Luen-hung	397,858,761	Interest of a controlled corporation	5	57.56
Global King Ltd.	397,858,761	Interest of a controlled corporation	6	57.56
Credit Suisse Trust Limited	397,858,761	Interest of a controlled corporation	6	57.56
Koga Limited	37,987,988	Beneficial owner	7	5.49
Cheung Kong Infrastructure (BVI) Limited	37,987,988	Interest of a controlled corporation	7	5.49
Cheung Kong Infrastructure Holdings Limited	37,987,988	Interest of controlled corporations	7	5.49
Hutchison Infrastructure Holdings Limited	37,987,988	Interest of controlled corporations	7	5.49
Hutchison International Limited	37,987,988	Interest of controlled corporations	7	5.49
Hutchison International Limited	62,899,924	Beneficial owner	8	9.10
Hutchison Whampoa Limited	100,887,912	Interest of controlled corporations	7 & 8	14.59
Cheung Kong (Holdings) Limited	100,887,912	Interest of controlled corporations	8	14.59
Mr. Li Ka-shing	100,887,912	Founder of discretionary trusts and interest of controlled corporations	8	14.59
Li Ka-Shing Unity Trustcorp Limited	100,887,912	Trustee and beneficiary of trust	8	14.59
Li Ka-Shing Unity Trustee Corporation Limited	100,887,912	Trustee and beneficiary of trust	8	14.59
Li Ka-Shing Unity Trustee Company Limited	100,887,912	Trustee	8	14.59

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO (cont'd)

Long positions in shares (cont'd)

Notes:

1. Million Point Limited (“Million Point”) was the beneficial owner of 170,000,000 shares. Each of Chinese Estates Holdings Limited (“Chinese Estates”), Chinese Estates, Limited and Cosmos Success Limited was deemed to be interested in the same parcel of shares in which Million Point was interested since Chinese Estates owned the entire issued share capital of Chinese Estates, Limited, which in turn owned the entire issued share capital of Cosmos Success Limited, which in turn owned the entire issued share capital of Million Point.
2. Great Empire International Ltd. (“Great Empire”) was the beneficial owner of 37,162,165 shares. Each of Chinese Estates, Paul Y. Holdings Company Limited (“Paul Y.”), Goldstance Group Limited was deemed to be interested in the same parcel of shares in which Great Empire was interested since Chinese Estates owned the entire issued share capital of Paul Y., which in turn owned the entire issued share capital of Goldstance Group Limited, which in turn owned the entire issued share capital of Great Empire.
3. Luckpoint Investment Limited (“Luckpoint”) was the beneficial owner of 76,877,685 shares. Each of Chinese Estates and China Entertainment and Land Investment Company, Limited (“CELI”) was deemed to be interested in the same parcel of shares in which Luckpoint was interested since Chinese Estates owned the entire issued share capital of CELI, which in turn owned the entire issued share capital of Luckpoint.
4. Paul Y. was the beneficial owner of 113,818,911 shares. Chinese Estates was deemed to be interested in the same parcel of shares in which Paul Y. was interested since Chinese Estates owned the entire issued share capital of Paul Y..
5. Mr. Joseph Lau, Luen-hung, by virtue of his 61.90% interest in the issued share capital of Chinese Estates, was deemed to be interested in the same interests stated against Chinese Estates under the provisions of the SFO.
6. Credit Suisse Trust Limited as trustee of a discretionary trust held units in a unit trust of which Global King Ltd. was the trustee. Global King Ltd. was entitled to exercise more than one-third of the voting power at general meetings of Chinese Estates. Accordingly, Global King Ltd. and Credit Suisse Trust Limited were deemed to be interested in the same interests stated against Chinese Estates.
7. Koga Limited (“Koga”) was the beneficial owner of 37,987,988 shares. Koga was a wholly-owned subsidiary of Cheung Kong Infrastructure (BVI) Limited (“CKIBVI”), which in turn was a wholly-owned subsidiary of Cheung Kong Infrastructure Holdings Limited (“CKI”). CKI is a subsidiary of Hutchison Infrastructure Holdings Limited (“HIH”), which in turn is a wholly-owned subsidiary of Hutchison International Limited (“HIL”). HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited (“HWL”). By virtue of the SFO, each of CKIBVI, CKI, HIH, HIL and HWL was taken to have an interest in the same parcels of shares which Koga was interested in.
8. HIL was the beneficial owner of 62,899,924 shares. As disclosed in Note 7 above, HWL was taken to have an interest in the same parcel of such 62,899,924 shares which HIL was interested in.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing (“Mr. Li”), Mr. Li Tzar-kuoi, Victor and Mr. Li Tzar-kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited (“TUT1”). TUT1 as trustee of The Li Ka-Shing Unity Trust (“UT1”), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Certain subsidiaries of CKH were entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 holds units in UT1.

Mr. Li was the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. By virtue of the SFO, each of Mr. Li, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 100,887,912 shares which HWL was interested.

All the interests stated above represent long positions and interest in shares. As at 30th June, 2004, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted share option scheme on 15th February, 2002 (the “2002 Scheme”). Details of the 2002 Scheme are set out in the published annual report of the Company for the period ended 31st December, 2003. There were no outstanding options at the beginning and at the end of the period. No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30th June, 2004, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company’s listed securities.

CORPORATE GOVERNANCE

The Group’s interim report for the period ended 30th June, 2004 was unaudited, but has been reviewed by the Audit Committee.

Throughout the period, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that independent non-executive directors were not appointed for any specific terms, as they are subject to retirement by rotation at the Company’s annual general meeting in accordance with the Bye-laws of the Company.

The Company has adopted Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code during the six months ended 30th June, 2004 and all Directors confirmed that they have complied with the Model Code.

APPRECIATION

I take this opportunity to thank our shareholders for their continued support and my fellow directors and our staff for their contributions to the Group.

On behalf of the Board
Aaron Tam, Chong-cheong
Chairman

Hong Kong, 1st September, 2004