



**CHI CHEUNG INVESTMENT COMPANY, LIMITED**

**至祥置業有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 112)**

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

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## CORPORATE INFORMATION

*Executive Directors:*

Thomas Lau, Luen-hung (*Chairman*)

Joseph Lau, Luen-hung

*Independent Non-executive Directors:*

Eddie Chan, Kwok-wai

Shum, Man-wai

*Registered Office:*

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38 Gloucester Road

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## **INDEPENDENT REVIEW REPORT**

### **TO THE BOARD OF DIRECTORS OF CHI CHEUNG INVESTMENT COMPANY, LIMITED**

*(Incorporated in Hong Kong with limited liability)*

#### **Introduction**

We have been instructed by the Directors of the Company to review the interim financial report set out on pages 2 to 9.

#### **Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards No. 700 “Engagements to review interim financial reports” issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2004.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 3rd September, 2004

## RESULTS

The Board of Directors of Chi Cheung Investment Company, Limited (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 corresponding period last year as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
	Notes		
Turnover	2	3,809	23
Property expenses		(360)	(9)
Net rental income		3,449	14
Other operating income	4	2,162	43
Administrative expenses	5	(1,951)	(1,189)
Profit (loss) from operations		3,660	(1,132)
Share of results of associates		677	–
Profit (loss) before taxation		4,337	(1,132)
Taxation	6	(901)	160
Profit (loss) after taxation		3,436	(972)
Minority interests		–	–
Profit (loss) attributable to shareholders		3,436	(972)
Earnings (loss) per share	7		
Basic		1.22 cents	(1.64) cents
Diluted		N/A	N/A
Interim dividend per share		–	–

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**At 30th June, 2004**

	<i>Notes</i>	<b>30th June, 2004 HK\$'000 (Unaudited)</b>	31st December, 2003 HK\$'000 (Audited)
Non-current assets			
Investment properties	8	39,124	65,720
Property and other fixed assets		585	622
Properties held for development		9,500	9,500
Property interests held for development		197,945	197,551
Interests in associates		277,380	276,471
Other asset		270	270
		<u>524,804</u>	<u>550,134</u>
Current assets			
Properties held for sale		41,100	41,100
Debtors, deposits and prepayments	9	20,453	4,832
Taxation recoverable		2	2
Bank balances and cash		59,937	47,870
		<u>121,492</u>	<u>93,804</u>
Current liabilities			
Creditors and accruals	10	3,720	3,903
Taxation payable		83	83
		<u>3,803</u>	<u>3,986</u>
Net current assets		<u>117,689</u>	<u>89,818</u>
Total assets less current liabilities		<u>642,493</u>	<u>639,952</u>
Non-current liabilities			
Loans from minority shareholders of subsidiaries			
– due after one year		40,312	45,100
Advance from an associate		12,499	11,889
Deferred taxation liabilities		366	101
		<u>53,177</u>	<u>57,090</u>
Minority interests		<u>(40,312)</u>	<u>(45,100)</u>
		<u>629,628</u>	<u>627,962</u>
Capital and reserves			
Share capital	11	2,823	2,823
Reserves		626,805	625,139
		<u>629,628</u>	<u>627,962</u>

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

	Share capital HK\$ '000	Share premium HK\$ '000	Contribution from shareholders HK\$ '000	Investment property revaluation reserve HK\$ '000	Special capital reserve I & II HK\$ '000	Exchange reserve HK\$ '000	Accumulated profits (losses) HK\$ '000	Total HK\$ '000
At 1st January, 2003	297,131	66,250	–	–	–	–	(243,120)	120,261
Loss for the period	–	–	–	–	–	–	(972)	(972)
At 30th June, 2003	297,131	66,250	–	–	–	–	(244,092)	119,289
Exchange difference on translation of overseas operations	–	–	–	–	–	(311)	–	(311)
Surplus on revaluation	–	–	–	4,000	–	–	–	4,000
Share of associates' reserves movements during the period	–	–	–	5,934	–	–	–	5,934
Deferred taxation liability arising on revaluation of investment properties	–	–	–	(683)	–	–	–	(683)
Capital Reduction (Note a)	(296,536)	–	–	–	51,511	–	245,025	–
Share issued at premium	2,228	376,667	–	–	–	–	–	378,895
Expenses of the Asset Transaction (Note b)	–	–	(2,061)	–	–	–	–	(2,061)
Arising on acquisition and disposal of subsidiaries under the Asset Transaction	–	–	122,131	–	–	–	–	122,131
Arising on realisation of reduced capital on disposal of subsidiaries (Note c)	–	–	(3,209)	–	3,209	–	–	–
Net (losses) gains not recognised in the consolidated income statement	(294,308)	376,667	116,861	9,251	54,720	(311)	245,025	507,905
Profit for the period	–	–	–	–	–	–	768	768
At 31st December, 2003	2,823	442,917	116,861	9,251	54,720	(311)	1,701	627,962
Exchange difference on translation of overseas operations	–	–	–	–	–	340	–	340
Adjustment to contribution from shareholders (Note d)	–	–	(579)	–	–	–	–	(579)
Net (losses) gains not recognised in the consolidated income statement	–	–	(579)	–	–	340	–	(239)
Revaluation reserve realised on disposal of investment properties	–	–	–	(1,531)	–	–	–	(1,531)
Profit for the period	–	–	–	–	–	–	3,436	3,436
<b>At 30th June, 2004</b>	<b>2,823</b>	<b>442,917</b>	<b>116,282</b>	<b>7,720</b>	<b>54,720</b>	<b>29</b>	<b>5,137</b>	<b>629,628</b>

*Notes*

(a) As part of the capital reorganisation, an order on petition dated 7th October, 2003 (the "Order") was issued by the High Court of Hong Kong Special Administrative Region of the People's Republic of China in connection with the reduction of the capital of the Company for an amount of HK\$296,536,273. Pursuant to the Order, the Company applied HK\$245,024,687 to eliminate its accumulated losses as at 31st December, 2002 while the remaining balance of HK\$51,511,586 was included in a "Special Capital Reserve I" account.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)**  
**For the six months ended 30th June, 2004**

(b) *Asset Transaction*

On 11th February, 2003, the Company and Jumbo Legend Limited ("Jumbo Legend"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Chinese Estates Holdings Limited ("Chinese Estates"), the Company's ultimate holding company, relating to:

- (i) the purchase of a group of wholly-owned subsidiaries of Chinese Estates (the "Sale Companies") holding direct or indirect interests in certain properties; the benefits of all sums due by the Sale Companies, their respective subsidiaries or associated companies to the other members of the Chinese Estates Group; and the assumption of all sums owing by the other members of the Chinese Estates Group to the Sale Companies; their respective subsidiaries or associated companies. Consideration of the purchase amounted to approximately HK\$605.4 million (the "CC Consideration"); and
- (ii) the sale of Super Series Limited, a wholly-owned subsidiary of the Company, which holds 100% indirect interest in the development project of Manhattan Avenue; and the benefits of all sums due by Super Series Limited to the Company. Consideration of the sale amounted to approximately HK\$103.9 million (the "C Consideration").

The CC Consideration was satisfied partly by set-off against the C Consideration and the balance of approximately HK\$501.5 million was satisfied by the allotment and issue of 222,879,881 shares of the Company at an agreed issue price of HK\$2.25 per share (the net asset value of the Company), credited as fully paid, to Chinese Estates Group. The number of shares issued and the agreed issue price have been adjusted to reflect share consolidation effected on 8th October, 2003.

The CC Consideration and the C Consideration, has been determined after arm's length negotiations between the Company, Jumbo Legend and Chinese Estates and between the Company and Chinese Estates respectively while the underlining properties have been valued on an open market value bases as at 30th November, 2002 by Norton Appraisals Limited, independent professional surveyors.

The Asset Transaction was completed on 7th November, 2003 and resulted in the acquisition of 7 investment properties interest located at Hung Hom; Mong Kok; Sha Tin; Tuen Mun; Kwun Tong; Kwai Chung and Tsim Sha Tsui in Hong Kong and 6 other properties interest located at Clear Water Bay; Ma Yau Tong; Hung Hom in Hong Kong and Tianjin; Panyu; Shantou in PRC respectively.

- (c) Pursuant to the Order, the Company undertakes that any future recoveries of the advances to Super Series Limited, a wholly-owned subsidiary of the Company which was disposed under the Asset Transaction, beyond their written down value has to be credited to "Special Capital Reserve II". Accordingly, the gain on disposal of Super Series Limited was included in this reserve.
- (d) The amount represented adjustment on tax liability of a subsidiary acquired under the Asset Transaction from Chinese Estates in November 2003.

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

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash generated from (used in) operating activities	<b>5,176</b>	(4,091)
Net cash generated from (used in) investing activities (Note)	<b>6,335</b>	(9,772)
Net cash generated from financing activities	<b>610</b>	8,250
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	<b>12,121</b>	(5,613)
Cash and cash equivalents at beginning of the period	<b>47,870</b>	11,152
Effect of foreign exchange rate changes	<b>(54)</b>	-
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>59,937</b>	5,539
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	<b>59,937</b>	5,539
	<hr/> <hr/>	<hr/> <hr/>

Note: At 30th June, 2004, included in debtors, deposits and prepayments was a proceed from disposal of certain properties, amounting to HK\$20,100,600, which was subsequently settled on 2nd July, 2004.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

### 1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and 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”).

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2003.

### 2. Turnover

Turnover represents property rental income received and receivable.

### 3. Segment information

The Group’s primary format for reporting segment information is business segments.

#### Business segments

	Property development		Property leasing		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment external turnover	–	–	3,809	23	3,809	23
Segment result	(209)	(13)	4,958	19	4,749	6
Unallocated corporate income					82	–
Unallocated corporate expenses					(1,171)	(1,138)
Profit (loss) from operations					3,660	(1,132)
Share of results of associates	–	–	677	–	677	–
Profit (loss) before taxation					4,337	(1,132)
Taxation					(901)	160
Profit (loss) after taxation					3,436	(972)

### 4. Other operating income

	Six months ended	
	30th June,	
	2004	2003
	HK\$'000	HK\$'000
Interest income from associates	1,627	–
Interest income from bank deposits	12	39
Gain on disposal of investment properties	377	–
Sundry income	146	4
	2,162	43



## 5. Administrative expenses

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Included in administrative expenses are:		
Depreciation	38	38
Staff expenses	270	123
	<u>308</u>	<u>161</u>

## 6. Taxation

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
The (charge) credit comprises:		
<i>Current tax</i>		
The Company and subsidiaries		
Hong Kong		
– Overprovision in prior period	–	160
Other than Hong Kong		
– Underprovision in prior period	(221)	–
	<u>(221)</u>	<u>160</u>
Share of taxation attributable to associates	(89)	–
<i>Deferred tax of the Company and subsidiaries</i>	(591)	–
	<u>(901)</u>	<u>160</u>

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries either have no assessable profits or the assessable profits of certain subsidiaries are wholly absorbed by tax losses brought forward. Taxation in any other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 7. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders for the period of approximately HK\$3,436,000 (30th June, 2003: loss of HK\$972,000) and on the weighted average number of 282,305,987 (30th June, 2003 (restated): 59,426,106) ordinary shares in issue during the period.

The weighted average number of shares for the last period has been adjusted for the share consolidation effected on 8th October, 2003.

No diluted loss per share had been presented for the period ended 30th June, 2003 because the exercise price of the Company's warrants was higher than the average fair market value of the shares. No diluted earnings per share has been presented for the period ended 30th June, 2004 because the warrants were lapsed on 20th November, 2003.

## 8. Investment properties

	HK\$'000
Valuation	
At 31st December, 2003	65,720
Disposal	(26,596)
	<u>39,124</u>
At 30th June, 2004	<u>39,124</u>

The Directors considered that the carrying amount of the Group's investment properties at 30th June, 2004 did not differ significantly from the revalued amount at 31st December, 2003. Consequently, no revaluation surplus or deficit was recognised in the current period.

## 9. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$40,000 (31st December, 2003: HK\$27,000) comprising mainly of rental receivables.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30th June, 2004</b>	31st December, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	2	4
31-60 days	4	4
Over 60 days	34	19
	<u>40</u>	<u>27</u>

## 10. Creditors and accruals

There were no trade payables included in creditors and accruals at the balance sheet date.

## 11. Share capital

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2003 and 30th June, 2004	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31st December, 2003 and 30th June, 2004	<u>282,305,987</u>	<u>2,823</u>

## 12. Contingent liabilities

A creditor under liquidation has lodged a claim against the Company in the sum of HK\$8.2 million. The claim related to a debt arisen in 1998, prior to the debt-restructuring scheme of the Company sanctioned in 2000. The Company considered that the claim is time barred. However, the Company has sought legal advice on the merits of the claim. Pending the result of the legal advice, no provision has been made for the period.

## 13. Post balance sheet event

Subsequent to 30th June, 2004:

- (a) The Group has a property interest held for development in Chenghai Royal Garden (the "Development Project"). The site with an area of approximately 466,662 sq.m. (5,023,150 sq. ft.) is situated at estuary of Xinjin River, Longhu District, Shantou, Guangdong Province, the People's Republic of China (the "PRC"). Pursuant to a Contract for Pre-registration of Grant of State-owned Land Use Rights dated 5th August, 1992 (the "Contract"), the Group has been granted a pre-registered land use right of the Development Project by Shantou City Chenghai District Planning and State-owned Land Resources Bureau (the "Bureau"). The Group has the following alternatives regarding the Development Project: (i) submit land application and development construction plan and settle the final payment of land cost of RMB24,861,000 in July 2004 (the "Deadline") to obtain the land use right certificate; (ii) extend the Deadline; or (iii) claim for a refund of RMB49,107,000 in accordance with the Contract.

The Group issued a letter to the Bureau to request for an extension of the Deadline but without any response. The Group subsequently determined not to extend the Deadline and requested, pursuant to the Contract, for land cost refund of RMB49,107,000 from the Bureau after considering that the Deadline would be expired soon and the ancillary utility services around the site of Development Project have yet to be constructed. The carrying value of the Development Project was HK\$183,446,000 at 30th June, 2004. The Group received a letter from the Bureau in August, replied that the refund request cannot be proceeded now by reason of the existence of the pre-registration relationship between the parties.

The Group is seeking clarification from the Bureau regarding the refund and if the refund is successful, an estimated loss of approximately HK\$137 million will be resulted.

- (b) The Group disposed 7 units of investment properties and properties held for sale, located at Gemstar Tower, Hung Hom, for considerations of approximately HK\$9,622,000 and HK\$13,155,000, resulted in profits of approximately HK\$1,186,000 and HK\$852,000, respectively.

#### 14. Capital commitments

	<b>30th June, 2004</b>	31st December, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30th June, 2004, the Group had capital expenditure contracted for but not provided in the financial statement in respect of the acquisition of property interests held for development in Chenghai Royal Garden	<u>23,434</u>	<u>23,563</u>

#### 15. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	<b>Six months ended 30th June,</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest received and receivables from associates	<b>1,627</b>	–
Rentals paid to a fellow subsidiary	<u>34</u>	<u>30</u>

Interest income was charged at rates mutually agreed by both parties based on outstanding balance during the period.

Office rental was determined on terms similar to those applicable to transactions with unrelated parties.

#### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the period ended 30th June, 2004 (the “Period”) (2003: Nil).

#### BUSINESS REVIEW

##### Results

Turnover for the Period amounted to HK\$3.8 million (30th June, 2003: HK\$23,000). The substantial increase in turnover was contributed by the rental income generated from the Group’s strengthened properties portfolio. Gross profit for the Period was HK\$3.4 million (30th June, 2003: HK\$14,000).

The Group recorded HK\$3.7 million profit from operations, which comprised gain on disposal of properties for an amount of HK\$0.4 million. (30th June, 2003: Loss from operations of HK\$1.1 million). The turnaround was resulted from the satisfactory performance of the investment properties acquired by the Group last year.

Profit attributable to shareholders was HK\$3.4 million as compared to a loss attributable to shareholders of HK\$1 million for the same period last year. Earnings per share was HK1.22 cents (30th June, 2003 (restated): Loss per share of HK1.64 cents).

##### Net Asset Value

As at 30th June, 2004, the Group’s total net asset amounted to HK\$629.6 million, representing an increase of 0.3% from the value of HK\$628 million as at 31st December, 2003. Total net asset value per share was HK\$2.23 (31st December, 2003: HK\$2.22).

##### Debt and Gearing

As at 30th June, 2004, the Group maintained a strong capital and cash position. Cash and bank balances amounted to HK\$60 million (31st December, 2003: HK\$47.9 million) and the Group did not have any bank and other borrowings (31st December, 2003: Nil).

The majority of the Group’s income for the Period was denominated in Hong Kong dollars. No hedging for non-Hong Kong dollars assets or investment has been made during the Period.

## **Pledge of assets**

As at 30th June, 2004, no assets was pledged by the Group to secure any banking facility and the Group did not have any obligation under banking facility documentation.

## **Financial and Interest Income/Expenses**

Interest income for the Period amounted to HK\$1.6 million as compared to HK\$0.04 million for the same period last year. No interest expense was charged to the income statement for both periods.

## **Remuneration Policies and Share Option Scheme**

As at 30th June, 2004, the Group employed a total of 6 staff. Remuneration packages comprised salary and year-end bonuses based on individual merits. No share option scheme was adopted for the Period.

## **PROPERTY REVIEW**

### **In Hong Kong**

#### *Property Development*

No. 34 Hill Road, Western District (100%) – The property is a 7-storey composite building over 40 years old and is currently vacant. The site has an area of approximately 2,146 square feet.

Inter-Continental Plaza, Tsim Sha Tsui (50%) – The property is a 15-storey commercial building. The Group has interests in two office floors and flat roof with a total gross floor area of approximately 22,204 square feet and 1,876 square feet respectively. As at 30th June, 2004, the two office floors had fully been let out.

No. 1 Hung To Road, Kwun Tong (33 1/3%) – The property is a 33-storey industrial building. The Group has interests in various portions on various floors with a total gross floor area of approximately 591,966 square feet. The Group also has interests in 77 car parking spaces.

#### *Investment Properties and Properties Held for Sale*

Gemstar Tower, Hung Hom (100%) – The property is a 17-storey godown building. During the period under review, 8 units were sold. The Group held 20 godown units on various floors with a total gross floor area of approximately 96,085 square feet and 50 car parking spaces as at 30th June, 2004. As at 30th June 2004, the occupancy rate of godown dropped to 41% due to the expiration of a major tenancy. Some of these vacant units have been let out subsequently.

### **In PRC**

#### *Property Development*

Chenghai Royal Garden (100%) (the “Development Project”) – The site with an area of approximately 466,662 sq.m. (5,023,150 sq. ft.) is situated at estuary of Xinjin River, Longhu District, Shantou, Guangdong Province, the PRC. Pursuant to a Contract for Pre-registration of Grant of State-owned Land Use Rights dated 5th August, 1992 (the “Contract”), the Group has been granted a pre-registered land use right of the Development Project by Shantou City Chenghai District Planning and State-owned Land Resources Bureau. The Group has the following alternatives regarding the Development Project: (i) submit land application and development construction plan and settle the final payment of land cost of RMB24,861,000 in July 2004 (the “Deadline”) to obtain the land use rights certificate; (ii) extend the Deadline; or (iii) claim for a refund of RMB49,107,000 in accordance with the Contract.

## **PROSPECTS**

The Group’s financial position is expected to be further strengthened after the completion of the disposal of 7 godown units of Gemstar Tower, Hung Hom subsequent to the period under review. The Group aims to optimize rental income and property occupancies and is looking for potential investment opportunities for future development.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures 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 kept by the Company pursuant to section 352 of the SFO or as 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 were as follows: –

### I. The Company

Name of Director	Number of Shares (ordinary share)	Note	Capacity	Percentage of Issued Share Capital
Joseph Lau, Luen-hung	209,811,186	1	Interest in Controlled Corporation	74.32%

### II. Associated Corporation of the Company

#### Chinese Estates Holdings Limited ("Chinese Estates")

Name of Director	Number of Shares (ordinary share)	Note	Capacity	Percentage of Issued Share Capital
Joseph Lau, Luen-hung	1,000,000,000	2	Other Interests	
	275,537,456	3	Other Interests	
	<u>1,275,537,456</u>			61.90%
Thomas Lau, Luen-hung	<u>199,207,187</u>	4	Other Interests	9.67%

#### G-Prop (Holdings) Limited ("G-Prop")

Name of Director	Number of Shares (ordinary share)	Note	Capacity	Percentage of Issued Share Capital
Joseph Lau, Luen-hung	397,858,761	5	Interest in Controlled Corporation	57.56%

Notes:

1. Mr. Joseph Lau, Luen-hung, by virtue of his 61.90% interest in the issued share capital of Chinese Estates as disclosed in paragraph II above, was deemed to be interested in these shares of the Company under the provisions of the SFO.
2. The 1,000,000,000 shares of Chinese Estates were held by a unit trust of which Mr. Joseph Lau, Luen-hung was a unit holder. These shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau, Luen-hung was the founder and certain family members of Mr. Joseph Lau, Luen-hung were eligible beneficiaries.
3. The 275,537,456 shares of Chinese Estates were held by another discretionary trust of which certain family members of Mr. Joseph Lau, Luen-hung were eligible beneficiaries.
4. These shares were indirectly owned by another discretionary trust of which certain family members of Mr. Thomas Lau, Luen-hung were eligible beneficiaries.
5. Mr. Joseph Lau, Luen-hung, by virtue of his 61.90% interest in the issued share capital of Chinese Estates as disclosed in paragraph II above, was deemed to be interested in 397,858,761 shares of G-Prop under the provisions of the SFO. Chinese Estates was interested in 397,858,761 shares of G-Prop of which 170,000,000 shares, 113,818,911 shares, 37,162,165 shares and 76,877,685 shares were issued shares respectively held by Million Point Limited ("Million Point"), Paul Y. Holdings Company Limited ("Paul Y."), Great Empire International Ltd. ("Great Empire") and Luckpoint Investment Limited ("Luckpoint").

*Chinese Estates was deemed to be interested in the 170,000,000 shares of G-Prop by virtue of the SFO as Chinese Estates owned the entire issued share capital of Chinese Estates, Limited, which owned the entire issued share capital of Cosmos Success Limited which in turn owned the entire issued share capital of Million Point.*

*Chinese Estates was also deemed to be interested in the 113,818,911 shares of G-Prop by virtue of the SFO as Chinese Estates owned the entire issued share capital of Paul Y.*

*Chinese Estates was also deemed to be interested in the 37,162,165 shares of G-Prop by virtue of the SFO as Chinese Estates owned the entire issued share capital of Paul Y., which owned the entire issued share capital of Goldstance Group Limited, which in turn owned the entire issued share capital of Great Empire.*

*Chinese Estates was also deemed to be interested in the 76,877,685 shares of G-Prop by virtue of the SFO as Chinese Estates owned the entire issued share capital of China Entertainment and Land Investment Company, Limited, which in turn owned the entire issued share capital of Luckpoint.*

All the interests stated above represent long positions. The percentage shown was the number of shares the relevant director of the Company was interested expressed as a percentage of the number of issued shares as at 30th June, 2004.

Save as disclosed above, none of the other directors and chief executives of the Company had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within Part XV of the SFO) as at 30th June, 2004, and none of the directors or chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations during the six months ended 30th June, 2004.

#### **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY**

As at 30th June, 2004, so far as are known to the directors of the Company, the following parties (other than director or chief executive of the Company) 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:

<b>Name of Shareholder</b>	<b>Number of Shares (ordinary share)</b>	<b>Capacity</b>	<b>Percentage of issued share capital</b>
Billion Up Limited	209,811,186 <i>(notes 1 &amp; 2)</i>	Beneficial Owner	74.32%
Lucky Years Ltd.	209,811,186 <i>(notes 1 &amp; 2)</i>	Interest in Controlled Corporation	74.32%
Chinese Estates	209,811,186 <i>(notes 1 &amp; 2)</i>	Interest in Controlled Corporation	74.32%
Global King Ltd.	209,811,186 <i>(notes 1 &amp; 3)</i>	Trustee	74.32%
Credit Suisse Trust Limited	209,811,186 <i>(notes 1 &amp; 3)</i>	Trustee and Beneficiary of a Trust	74.32%
Li Ka-shing	21,833,142 <i>(notes 4 &amp; 5)</i>	Founder of Discretionary Trusts and Interest of Controlled Corporations	7.73%
Li Ka-Shing Unity Trustcorp Limited	21,833,142 <i>(notes 4 &amp; 5)</i>	Trustee and Beneficiary of a Trust	7.73%
Li Ka-Shing Unity Trustee Corporation Limited	21,833,142 <i>(notes 4 &amp; 5)</i>	Trustee and Beneficiary of a Trust	7.73%

Name of Shareholder	Number of Shares (ordinary share)	Capacity	Percentage of issued share capital
Li Ka-Shing Unity Trustee Company Limited	21,833,142 (notes 4 & 5)	Trustee	7.73%
Cheung Kong (Holdings) Limited	21,833,142 (notes 4 & 5)	Interest of Controlled Corporations	7.73%
Hutchison Whampoa Limited	21,833,142 (note 4)	Interest of Controlled Corporations	7.73%
Hutchison International Limited	21,833,142 (note 4)	Interest of a Controlled Corporation	7.73%
Primetek Holdings Limited	21,833,142 (note 4)	Beneficial Owner	7.73%

*Notes:*

1. *These shares were the same parcel of shares referred to in ‘Interest in Controlled Corporation’ of Mr. Joseph Lau, Luen-hung as disclosed under ‘Directors’ and Chief Executives’ Interests in the Securities of the Company and Associated Corporations’ as disclosed in paragraph I above.*
2. *Billion Up Limited was a wholly-owned subsidiary of Lucky Years Ltd., which in turn was a wholly-owned subsidiary of Chinese Estates, and its interests in the shares of the Company were duplicated and included in the shareholding stated against Lucky Years Ltd. and Chinese Estates.*
3. *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 the 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.*
4. *Primetek Holdings Limited (‘Primetek’) is a wholly-owned subsidiary of Hutchison International Limited (‘HIL’), which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited (‘HWL’). By virtue of the SFO, HWL and HIL are deemed to be interested in the 21,833,142 shares of the Company held by Primetek.*
5. *Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns 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, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (‘CKH’). Subsidiaries of CKH are 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 owns 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 the UT1.*

*By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 21,833,142 shares of the Company held by Primetek.*

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30th June, 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## ADVANCES TO ENTITIES

As at 30th June, 2004, the Group had made advances to associated companies of approximately HK\$297.2 million (before provisions). The shareholder loans had been granted either for financing their acquisition of assets or daily operations. The shareholder loans are unsecured, with no specific maturity dates and are repayable on demand.

Pursuant to Listing Rule 13.20, the Company discloses details of the loans advanced to the entities which individually exceeds 8% of the Company's market capitalization as at 30th June, 2004 as below:

Name of associated companies	Attributable interest held by the Group %	Interest rates %	Interest bearing HK\$'000	Non-interest bearing HK\$'000	Total advances HK\$'000
Finedale Industries Limited	33 1/3	2.25	114,773	2,614	117,387
Canaria Holding Limited	50	N/A	–	54,158	54,158
Tianjin Winson Real Estate Development Co., Ltd.	50	N/A	–	57,500	57,500
			<u>114,773</u>	<u>114,272</u>	<u>229,045</u>

## PROFORMA COMBINED BALANCE SHEET OF THE AFFILIATED COMPANIES

Pursuant to Listing Rule 13.22, a proforma combined balance sheet of the affiliated companies with financial assistance from the Group as at 30th June, 2004 (the latest practicable date) is presented below:

	(Note) Combined total HK\$'000	Interest attributable to the Group HK\$'000
Non-current assets	683,616	240,475
Current assets	22,389	10,343
Current liabilities	(14,082)	(5,478)
Non-current liabilities	(595,591)	(239,102)
Net assets	<u>96,332</u>	<u>6,238</u>

Note: Proforma combined balance sheet has been realigned with the Group's accounting policies.

## CORPORATE GOVERNANCE

The unaudited interim report for the Period has been reviewed by the Audit Committee and auditors.

The Company has complied throughout the Period with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors are not appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Articles of Association.

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 of the Company whether the directors of the Company have complied with the required standard set out in the Model Code during the six months ended 30th June, 2004 and all directors of the Company confirmed that they have complied with the Model Code.

## APPRECIATION

I would like to take this opportunity to thank the shareholders for their continuous support and all the staff for their dedication and hard work.

On behalf of the Board  
**Thomas Lau, Luen-hung**  
Chairman

Hong Kong, 3rd September, 2004