



**G·PROP**  
(HOLDINGS) LIMITED

# **G-PROP (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 286)**

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Interim Report  
For The Six Months  
Ended 30th June, 2005

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## **CORPORATE INFORMATION**

*Executive Directors:*

Aaron Tam, Chong-cheong (*Chairman*)  
Leung, Wing-pong  
Kong, Chi-ming

*Independent Non-executive Directors:*

Leung, Yun-fai  
Lam, Yat-fai  
David Chain, Chi-woo

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

*Principal Office:*

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38 Gloucester Road  
Wanchai, Hong Kong

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<http://www.g-prop.com.hk>

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## RESULTS

The board of directors of G-Prop (Holdings) 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, 2005, together with the comparative figures for the six months ended 30th June, 2004 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2005*

		<b>Six months ended 30th June,</b>	
		<b>2005</b>	2004
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
			(As restated)
Turnover	3	<b>2,298</b>	6,991
Direct costs		<b>(922)</b>	(6,026)
		<b>1,376</b>	965
Fair value changes on investment properties		<b>3,170</b>	–
Other operating income		<b>143</b>	32
Administrative expenses		<b>(1,522)</b>	(1,769)
Other operating expenses		<b>(24)</b>	(3)
		<b>3,143</b>	(775)
Profit/(loss) from operations		<b>3,143</b>	(775)
Finance costs		<b>(159)</b>	(595)
Share of results of a jointly controlled entity		–	(767)
Gain on disposal of subsidiaries		–	3,493
		<b>2,984</b>	1,356
Profit before taxation		<b>2,984</b>	1,356
Taxation	4	<b>(21)</b>	62
		<b>2,963</b>	1,418
Profit attributable to the equity holders of the Company for the period		<b>2,963</b>	1,418
		<b>HK\$0.0039</b>	<b>HK\$0.0021</b>
Basic earnings per share	5	<b>HK\$0.0039</b>	<b>HK\$0.0021</b>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**At 30th June, 2005**

	<i>Notes</i>	<b>30th June, 2005 (Unaudited) HK\$'000</b>	31st December, 2004 (Audited) HK\$'000 (As restated)
<b>Non-current Assets</b>			
Investment properties	6	<b>111,250</b>	108,080
Goodwill		–	–
Intangible asset		–	–
Interests in associates		–	–
Interests in jointly controlled entities		–	–
Club debentures		<b>220</b>	220
		<b>111,470</b>	108,300
<b>Current Assets</b>			
Trade and other receivables	7	<b>519</b>	1,021
Short-term loans receivable		–	–
Bank balances and cash		<b>18,011</b>	15,791
		<b>18,530</b>	16,812
<b>Current Liabilities</b>			
Trade and other payables	8	<b>3,129</b>	3,790
Amount due to fellow subsidiaries		<b>274</b>	352
Secured borrowings from a fellow subsidiary – due within one year		–	969
		<b>3,403</b>	5,111
<b>Net Current Assets</b>		<b>15,127</b>	11,701
		<b>126,597</b>	120,001
<b>Capital and Reserves</b>			
Share capital		<b>7,940</b>	6,912
Share premium and reserves		<b>118,551</b>	90,824
<b>Equity attributable to the equity holders of the Company</b>		<b>126,491</b>	97,736
<b>Non-current Liabilities</b>			
Secured borrowings from a fellow subsidiary – due after one year		–	22,180
Deferred tax liabilities		<b>106</b>	85
		<b>106</b>	22,265
		<b>126,597</b>	120,001

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the six months ended 30th June, 2005**

	<b>Six months ended 30th June, 2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash (used in) from operating activities	<b>(297)</b>	2,443
Net cash from (used in) investing activities	<b>120</b>	(61)
Net cash from (used in) financing activities	<b>2,397</b>	(1,052)
Net increase in cash and cash equivalents	<b>2,220</b>	1,330
Cash and cash equivalents at the beginning of the period	<b>15,791</b>	7,089
Cash and cash equivalents at the end of the period	<b>18,011</b>	8,419

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30th June, 2005**

	Attributable to the equity holders of the Company						
	Share capital	Share premium	Translation reserve	Goodwill reserve	Share capital deemed to be issued	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2004	1,826	16,300	234	82	5,086	63,995	87,523
Share issued	5,086	-	-	-	(5,086)	-	-
Transfer	-	(16,300)	-	-	-	16,300	-
Profit for the period	-	-	-	-	-	1,418	1,418
At 30th June, 2004	6,912	-	234	82	-	81,713	88,941
Profit for the period	-	-	-	-	-	8,795	8,795
At 1st January, 2005	6,912	-	234	82	-	90,508	97,736
Transfer	-	-	-	(82)	-	82	-
Share issued at premium	1,028	24,764	-	-	-	-	25,792
Profit for the period	-	-	-	-	-	2,963	2,963
At 30th June, 2005	<b>7,940</b>	<b>24,764</b>	<b>234</b>	<b>-</b>	<b>-</b>	<b>93,553</b>	<b>126,491</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

### 1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st December, 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005.

### 2. Changes in accounting policies

The followings are the effects on the financial statements of the Group for the six months ended 30th June, 2005 upon its adoption of the new HKFRSs on 1st January, 2005:

#### *HKAS 40 “Investment Property”*

The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group’s investment properties, whereby changes in fair value are recognized in the income statement. This new accounting policy has been applied retrospectively. There was no material effect on the revenue reserve as at 1st January, 2005 and 1st January, 2004 as all changes in fair value of the investment properties for the year ended 31st December, 2004 and for the period ended 31st December, 2003 had been recognized in the consolidated income statements respectively. This change has led to an increase in profit of HK\$3.2 million in the consolidated income statement for the period being the recognition of the increase in the fair value of the Group’s investment properties.

#### *Hong Kong (SIC) Interpretations (“HK (SIC) – Int”) 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets”*

The adoption of HK (SIC) – Int 21 has resulted in a change in accounting policy for the deferred tax treatment on the Group’s investment properties. In previous years, no deferred taxation was recognized on revaluation changes of the Group’s investment properties on the basis that the recovery of the carrying amount of the investment properties would be through sales. With effect from 1st January, 2005, HK (SIC) – Int 21 requires deferred taxation to be recognized on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and be calculated at the applicable profits tax rate and charged to the income statement. This new accounting policy has been applied retrospectively. This change has led to a decrease of HK\$0.5 million in deferred tax liabilities and a corresponding increase in shareholders’ equity as at 1st January, 2004. The effect on the deferred tax liabilities and shareholders’ equity as at 1st January, 2005 was immaterial.

	As at 1st January,	
	2005	2004
	HK\$’000	HK\$’000
Retained profits (as originally stated)	90,057	63,509
Decrease in deferred tax for periods prior to 1st January, 2004	486	486
Increase in deferred tax for the year ended 31st December, 2004	(35)	–
Retained profits (as restated)	<u>90,508</u>	<u>63,995</u>

#### *HKAS 36 “Impairment of Assets”*

The adoption of HKAS 36 has resulted in a change in the accounting policy for the Group’s goodwill and intangible asset whereby impairment test is required to perform annually. As impairment loss for the goodwill and intangible asset were recognized in previous years and reversal of impairment loss for goodwill is prohibited, the adoption of HKAS 36 does not have effect on the consolidated income statement for the period.

### 3. Turnover and segment information

#### *Business segments*

During the period, the Group was re-organized into four operating activities – (i) other investments; (ii) properties; (iii) investment and finance and (iv) leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

Segment information about these businesses is presented below:

**For the period from 1st January, 2005 to 30th June, 2005**

	<b>Energy saving machine HK\$'000</b>	<b>Other investments HK\$'000</b>	<b>Properties HK\$'000</b>	<b>Investment and finance HK\$'000</b>	<b>Leasing HK\$'000</b>	<b>Consolidated HK\$'000</b>
Income statement:						
Turnover						
External sales	<u>–</u>	<u>–</u>	<u>–</u>	<u>195</u>	<u>2,103</u>	<u>2,298</u>
Segment result	<u>–</u>	<u>–</u>	<u>–</u>	<u>195</u>	<u>4,294</u>	<u>4,489</u>
Interest income						120
Unallocated corporate expenses						<u>(1,466)</u>
Profit from operations						3,143
Finance costs						<u>(159)</u>
Profit before taxation						2,984
Taxation						<u>(21)</u>
Profit for the period						<u>2,963</u>



### 3. Turnover and segment information (cont'd)

#### *Business segments (cont'd)*

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

	Energy saving machine <i>HK\$'000</i>	Other investments <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investment and finance <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (As restated)
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						1
Unallocated corporate expenses						<u>(1,698)</u>
Loss from operations						(775)
Finance costs						(595)
Share of results of jointly controlled entities	–	–	(767)	–	–	(767)
Net gain on disposal of subsidiaries						<u>3,493</u>
Profit before taxation						1,356
Taxation						<u>62</u>
Profit for the period						<u><u>1,418</u></u>

#### *Geographical segments*

The Group's operations are principally located in Hong Kong. All identifiable assets of the Group are located in Hong Kong. Accordingly, no geographical segment is presented.

### 4. Taxation

<b>Six months ended 30th June,</b>	
<b>2005</b>	<b>2004</b>
<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	(As restated)

The (charge) credit comprises:

Taxation of the Company and its subsidiaries

– Hong Kong Profits Tax	–	–
– overseas taxation	–	(3)
Deferred taxation	<u>(21)</u>	<u>65</u>
	<u><u>(21)</u></u>	<u><u>62</u></u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2005 and 30th June, 2004 as the group companies 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 per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$2,963,000 (1st January, 2004 to 30th June, 2004: profit of HK\$1,418,000 as restated) and on the weighted average of 768,499,789 ordinary shares in issue throughout the period (1st January, 2004 to 30th June, 2004: on 691,257,800 ordinary shares in issue.)

For the periods ended 30th June, 2005 and 30th June, 2004, no diluted earnings per share have been presented as there are no dilutive potential shares in issue.

## 6. Investment properties

The directors have consulted an independent firm of professional properties valuers on the recent property market condition. There was an indication from the valuers that the carrying value of the Group's investment properties as at 30th June, 2005 was approximately at HK\$111.3 million and the increase in fair value of the investment properties of HK\$3.2 million was recognized in the consolidated income statement in accordance with HKAS 40.

	<i>HK\$'000</i>
At 1st January, 2005	108,080
Increase in fair value	<u>3,170</u>
At 30th June, 2005	<u><u>111,250</u></u>

## 7. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK\$214,000 (31st December, 2004: HK\$594,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings. Its aged analysis at the balance sheet date was as follows:

	<b>30th June, 2005</b>	31st December, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>169</b>	299
31 – 60 days	<b>16</b>	219
Over 60 days	<b>29</b>	76
	<u><b>214</b></u>	<u>594</u>

## 8. Trade and other payables

Included in trade and other payables of the Group were trade creditors of HK\$214,000 (31st December, 2004: HK\$227,000). Its aged analysis at the balance sheet date was as follows:

	<b>30th June, 2005</b>	31st December, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>93</b>	30
31 – 60 days	<b>26</b>	29
Over 60 days	<b>95</b>	168
	<u><b>214</b></u>	<u>227</u>

## 9. Secured borrowings from a fellow subsidiary

	<b>30th June, 2005 HK\$'000</b>	31st December, 2004 HK\$'000
The secured borrowings from a fellow subsidiary are repayable as follows:		
Within one year or on demand	–	969
Between one and two years	–	1,019
Between two and five years	–	3,381
Over five years	–	17,780
	–	23,149
Less: Amount due within one year included in current liabilities	–	(969)
Amount due after one year	–	22,180

## 10. Share capital

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Authorised :		
At 1st January, 2004, 31st December, 2004 and 30th June, 2005 (HK\$0.01 each)	<u>80,000,000,000</u>	<u>800,000</u>
Issued and fully paid :		
Ordinary shares		
At 1st January, 2004 (HK\$0.01 each)	182,641,386	1,826
– issue of shares	<u>508,616,414</u>	<u>5,086</u>
At 31st December, 2004 (HK\$0.01 each)	691,257,800	6,912
– issue of shares	<u>102,800,000</u>	<u>1,028</u>
At 30th June, 2005 (HK\$0.01 each)	<u>794,057,800</u>	<u>7,940</u>

Pursuant to a share placing agreement, the Company issued a total of 102,800,000 ordinary shares at a price of HK\$0.255 per share in February, 2005. The net proceeds from the share placing was HK\$25.8 million of which HK\$23.0 million was used to repay the secured borrowings from a fellow subsidiary and the balance was used as general working capital of the Group.

## 11. Contingent liabilities

The Group did not have any material contingent liabilities as at 30th June, 2005 and 31st December, 2004.

## 12. Related party transactions

During the period ended 30th June, 2005:

- (a) The Group received rental income of approximately HK\$59,000 (1st January, 2004 to 30th June, 2004: HK\$22,000) from The House of Kwong Sang Hong Limited, an associated company of the ultimate holding company, for the lease of Shop No.147 on the First Floor of Yuen Long New Place, Golden Hall Building, Yuen Long, New Territories.
- (b) The Group paid interest of approximately HK\$159,000 (1st January, 2004 to 30th June, 2004: HK\$595,000) to Oriental Ford Finance Limited, a fellow subsidiary of the Group. These interests were charged at prevailing market rates based on outstanding balance during the period.
- (c) The Group also paid rental expenses of approximately HK\$21,000 (1st January, 2004 to 30th June, 2004: HK\$21,000) to Chinese Estates, Limited, a fellow subsidiary of the Group, for the lease of an office premise at Room 101 on First Floor, MassMutual Tower, 38 Gloucester Road, Wanchai.

## 13. Comparative figures

Certain comparative figures shown for the condensed consolidated income statement; condensed consolidated balance sheet; condensed consolidated statement of changes in equity and related notes have been restated following the adoption of the new HKFRSs on 1st January, 2005.

## INTERIM DIVIDEND

The board of directors resolved not to recommend the payment of an interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: nil)

## BUSINESS REVIEW

### Results

Turnover for the period was HK\$2.3 million and was decreased by 67.1% when compared with the last corresponding period of HK\$7.0 million. The decrease was mainly contributed by decrease in turnover of other investments of HK\$4.8 million.

Profit from operations for the period was HK\$3.1 million and loss from operations of last corresponding period was HK\$0.8 million. The improvement in operating results was mainly contributed by the recognition of the increase in fair value of investment properties of HK\$3.2 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 very high levels.

### Golden Hall Building, Yuen Long

The Group owns the 3-storey shopping arcade which is 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, 2005, the shopping arcade was 85% let out. The two residential units are still for let.

### 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 car parking space on ground floor of this 24-storey industrial building located in Kwai Chung, New Territories. As of 30th June, 2005, the property was 100% let.

## **FINANCIAL REVIEW**

### **Net Asset Value**

As at 30th June, 2005, the Group's total net asset was approximately HK\$126.5 million (31st December, 2004: HK\$97.7 million as restated). Pursuant to a share placing agreement, the Company issued a total of 102,800,000 ordinary shares at a price of HK\$0.255 per share in February, 2005 and the net proceeds of which was HK\$25.8 million. The number of ordinary shares in issue as at 30th June, 2005 was 794,057,800 (31st December, 2004: 691,257,800). Net asset value per share as at 30th June, 2005 was HK\$0.159 (31st December, 2004: HK\$0.141).

### **Debt and Gearing**

The Group did not have borrowings as at 30th June, 2005. As at 31st December, 2004, the Group's borrowings were mainly the secured borrowings from a fellow subsidiary of HK\$23.1 million. Cash and deposits at bank amounted to HK\$18.0 million (31st December, 2004: HK\$15.8 million) and net borrowings as at 31st December, 2004 amounted to HK\$7.3 million. As at 31st December, 2004, total debt to equity ratio was 23.7% and net debt to equity ratio was 7.5% which are expressed as a percentage of borrowings and net borrowings respectively over the total net assets of HK\$97.7 million (as restated). Of the Group's borrowings of HK\$23.1 million as at 31st December, 2004, 4.2%, 4.4%, 14.6% and 76.8% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. As at 31st December, 2004, the Group's borrowings were wholly denominated in Hong Kong dollars and carried interest calculated with reference to prime rate. As at 30th June, 2005 and 31st December, 2004, the Group did not have any financial instruments used for hedging purpose and all assets and investments of the Group were denominated in Hong Kong dollars.

### **Pledge of Assets**

As at 30th June, 2005, the Group did not have any assets pledged. As at 31st December, 2004, the Group's investment properties with book value of HK\$73.1 million were pledged to a fellow subsidiary to secure loan facilities of the Group. The borrowings were fully repaid in February 2005.

### **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 30th June, 2005 and 31st December, 2004.

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

Interest income was included in turnover and other operating income. Interest received, other than from loans receivable, was HK\$0.1 million. Finance costs were mainly interest expenses on the secured borrowings from a fellow subsidiary. Interest expenses for the period was HK\$0.2 million (1st January, 2004 to 30th June, 2004: HK\$0.6 million) representing a decrease of 73.3% from last corresponding period which was mainly due to the full repayment of the secured borrowings from a fellow subsidiary in February 2005.

### **Remuneration Policies**

As at 30th June 2005, the Group employed a total of 2 staff (30th June, 2004: 2 staff). Total staff cost for the period was approximately HK\$0.5 million (1st January, 2004 to 30th June, 2004: HK\$0.6 million) (excluding directors' remuneration). Remuneration package comprised salary and year-end bonuses based on individual merits.

## PROSPECTS

The Group maintained a strong cash position and now has a cash balance of approximately HK\$18.0 million and no material liability. The Group expects to continue to deliver a steady performance in the second half of the year and will further develop its business when opportunities arise.

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30th June, 2005, 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	21.41
Cosmos Success Limited	170,000,000	Interest of a controlled corporation	1	21.41
Chinese Estates, Limited	170,000,000	Interest of a controlled corporation	1	21.41
Luckpoint Investment Limited	76,877,685	Beneficial owner	2	9.68
China Entertainment and Land Investment Company, Limited	76,877,685	Interest of a controlled corporation	2	9.68
Paul Y. Holdings Company Limited	150,981,076	Beneficial owner and interest of a controlled corporation	3	19.01
Chinese Estates Holdings Limited	397,858,761	Interest of controlled corporations	1,2 &3	50.10
Mr. Joseph Lau, Luen-hung	397,858,761	Interest of a controlled corporation	4	50.10

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

**Long positions in shares (cont'd)**

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Capacity</b>	<i>Note</i>	<b>Percentage of Shareholding %</b>
Global King Ltd.	397,858,761	Interest of a controlled corporation	5	50.10
GZ Trust Corporation	397,858,761	Interest of a controlled corporation	5	50.10
Hutchison International Limited	100,887,912	Beneficial owner and interest of controlled corporations	6	12.70
Hutchison Whampoa Limited	100,887,912	Interest of controlled corporations	6	12.70
Cheung Kong (Holdings) Limited	100,887,912	Interest of controlled corporations	6	12.70
Mr. Li Ka-shing	100,887,912	Founder of discretionary trusts and interest of controlled corporations	6	12.70
Li Ka-Shing Unity Trustcorp Limited	100,887,912	Trustee and beneficiary of trust	6	12.70
Li Ka-Shing Unity Trustee Corporation Limited	100,887,912	Trustee and beneficiary of trust	6	12.70
Li Ka-Shing Unity Trustee Company Limited	100,887,912	Trustee	6	12.70

*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. 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.

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

### **Long positions in shares (cont'd)**

*Notes: (cont'd)*

3. Paul Y. Holdings Company Limited ("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..

In addition, Great Empire International Ltd. ("Great Empire") was the beneficial owner of 37,162,165 shares. Each of Chinese Estates and Paul Y. 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 beneficially owned the entire issued share capital of Great Empire.

4. Mr. Joseph Lau, Luen-hung, by virtue of his 62.81% 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.
5. GZ Trust Corporation 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 GZ Trust Corporation were deemed to be interested in the same interests stated against Chinese Estates.
6. These shares comprised 62,899,924 shares beneficially owned by Hutchison International Limited ("HIL") and 37,987,988 shares beneficially owned by Koga Limited ("Koga").

HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL"). By virtue of the SFO, HWL was taken to have an interest in the same parcel of such 62,899,924 shares which HIL was interested in.

Koga is a wholly-owned subsidiary of Cheung Kong Infrastructure (BVI) Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Infrastructure Holdings Limited. Cheung Kong Infrastructure Holdings Limited is a subsidiary of Hutchison Infrastructure Holdings Limited, which in turn is a wholly-owned subsidiary of HIL. By virtue of the SFO, each of HIL and HWL was taken to have an interest in the same parcels of such 37,987,988 shares which Koga 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 was 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, 2005, 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 year ended 31st December, 2004. 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, 2005.

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

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **CORPORATE GOVERNANCE**

The Group’s interim report for the six months ended 30th June, 2005 was unaudited, but has been reviewed by the Audit Committee.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not any part of the accounting period covered by the 2005 interim financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the followings:

Under code provision A.2.1 in Appendix 14 of the Listing Rules, (a) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and (b) the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. On 5th July, 2005, the Company appointed Mr. Leung, Wing-pong as chief executive officer and his responsibilities was established and set out in writing, which ensured compliance with the Code on Corporate Governance Practices.

Under code provisions A.4.1 and A.4.2 in Appendix 14 of the Listing Rules, (a) non-executive directors should be appointed for specific terms and subject to re-election, and (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The independent non-executive directors of the Company 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 Company’s Bye-laws. Under the Company’s Bye-laws, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman or Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors of the Company to retire in each year. Meeting the same objective on re-election at regular intervals as the code provision, the Company shall take the relevant measures towards compliance with the Code on Corporate Governance Practices.

## **CORPORATE GOVERNANCE** (cont'd)

Under code provision B.1.1 in Appendix 14 of the Listing Rules, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. On 24th May, 2005, the Company established the remuneration committee comprising all the three independent non-executive directors of the Company with specific written terms of reference, which ensured compliance with the Code on Corporate Governance Practices.

The Company has adopted the 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 regarding directors' securities transactions 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, 22nd August, 2005