



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, 2005

CORPORATE INFORMATION

Directors

Executive Directors:

Thomas Lau, Luen-hung (*Chairman*)

Joseph Lau, Luen-hung (*Chief Executive Officer*)

Independent Non-executive Directors:

Wang, Jian-guo

Mok, Hon-sang

Wong, Tik-tung

Audit Committee

Wang, Jian-guo

Mok, Hon-sang

Wong, Tik-tung

Remuneration Committee

Wang, Jian-guo

Mok, Hon-sang

Wong, Tik-tung

Company Secretary

Lam, Kwong-wai

Qualified Accountant

Nora Wang, Wai-ling

Solicitors

Sit, Fung, Kwong & Shum

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

Liu Chong Hing Bank Limited

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

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Stock Code

112

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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 Company to review the interim financial report set out on pages 2 to 16.

Directors' responsibilities

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public 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, 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 24th August, 2005

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, 2005 together with the comparative figures for the corresponding period as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30th June,	
	<i>Notes</i>	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited and restated)
Revenue	4	1,767	3,809
Property expenses		<u>(659)</u>	<u>(360)</u>
Net rental income		1,108	3,449
Fair value changes on investment properties		2,500	–
Other operating income	6	3,287	2,162
Administrative expenses	7	<u>(2,848)</u>	<u>(1,958)</u>
Profit from operations		4,047	3,653
Finance costs	8	(1,050)	–
Write-back of allowance for an amount due from a former associate		1,565	–
Write-back of allowance for an amount due from an associate		679	–
Share of results of associates	9	<u>75,741</u>	<u>588</u>
Profit before taxation		80,982	4,241
Taxation	10	<u>(765)</u>	<u>(812)</u>
Profit for the period		<u>80,217</u>	<u>3,429</u>
Attributable to:			
Equity holders of the parent		81,267	3,429
Minority interests		<u>(1,050)</u>	<u>–</u>
		<u>80,217</u>	<u>3,429</u>
Basic earnings per share	11	<u>24.72 cents</u>	<u>1.21 cents</u>
Interim dividend per share		<u>–</u>	<u>–</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30th June, 2005 HK\$'000 (Unaudited)	31st December, 2004 HK\$'000 (Audited and restated)
Non-current assets			
Investment properties	12	51,850	33,750
Property and other fixed assets		510	547
Properties held for development		1,279	750
Property interests held for development		–	14,500
Prepaid lease payment		9,466	9,473
Interests in associates	13	346,470	296,362
Other asset		270	270
		409,845	355,652
Current assets			
Properties held for sale		28,796	28,796
Debtors, deposits and prepayments	14	522	265
Taxation recoverable		135	135
Bank balances and cash		200,399	131,121
		229,852	160,317
Current liabilities			
Creditors and accruals	15	2,790	2,321
Provision for a litigation claim		8,427	8,427
Taxation liabilities		5	5
		11,222	10,753
Net current assets		218,630	149,564
Total assets less current liabilities		628,475	505,216
Non-current liabilities			
Loans from minority shareholders of subsidiaries	16	39,143	40,312
Advance from an associate	17	229	12,909
Deferred tax liabilities		1,383	426
		40,755	53,647
Total assets and liabilities		587,720	451,569
Capital and reserves			
Share capital	18	3,388	2,823
Reserves		623,475	489,058
		626,863	491,881
Equity attributable to equity holders of the parent		626,863	491,881
Minority interests		(39,143)	(40,312)
Total equity		587,720	451,569

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Attributable to equity holders of the parent									
	Share capital	Share premium	Contribution from shareholders	Investment property revaluation reserve	Special capital reserve I & II	Exchange reserve	Accumulated profits (losses)	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 <i>(Note a)</i>	HK\$'000	HK\$'000 <i>(Note b)</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2004										
- As originally stated	2,823	442,917	116,861	9,251	54,720	(311)	1,701	627,962	-	627,962
- Effects of changes in accounting policies (See Note 3c to the notes to the condensed consolidated financial statements for the details)	-	-	(12,058)	(1,038)	-	-	(14)	(13,110)	(40,312)	(53,422)
- As restated	2,823	442,917	104,803	8,213	54,720	(311)	1,687	614,852	(40,312)	574,540
Exchange differences on translation of overseas operations recognised directly in equity	-	-	-	-	-	340	-	340	-	340
Profit for the period (restated)	-	-	-	-	-	-	3,429	3,429	-	3,429
Total recognised income for the period	-	-	-	-	-	340	3,429	3,769	-	3,769
Adjustment on contribution from shareholders	-	-	(578)	-	-	-	-	(578)	-	(578)
Revaluation reserve released on disposal of investment properties, net of tax	-	-	-	(1,531)	-	-	-	(1,531)	-	(1,531)
At 30th June, 2004 (restated)	2,823	442,917	104,225	6,682	54,720	29	5,116	616,512	(40,312)	576,200
Exchange differences on translation of overseas operations	-	-	-	-	-	(29)	-	(29)	-	(29)
Surplus on revaluation	-	-	-	3,695	-	-	-	3,695	-	3,695
Deferred tax liability arising on revaluation of investment properties	-	-	-	(606)	-	-	-	(606)	-	(606)
Share of surplus on revaluation of associates' investment properties	-	-	-	56,014	-	-	-	56,014	-	56,014
Deferred tax liability arising on revaluation of associates' investment properties	-	-	-	(9,802)	-	-	-	(9,802)	-	(9,802)
Net income (expenses) recognised directly in equity	-	-	-	49,301	-	(29)	-	49,272	-	49,272
Loss for the period (restated)	-	-	-	-	-	-	(172,825)	(172,825)	-	(172,825)
Total recognised income (expenses) for the period	-	-	-	49,301	-	(29)	(172,825)	(123,553)	-	(123,553)
Revaluation reserve released on disposal of investment properties, net of tax	-	-	-	(910)	-	-	-	(910)	-	(910)
Revaluation reserve released on disposal of associates' investment properties, net of tax	-	-	-	(139)	-	-	(29)	(168)	-	(168)
At 31st December, 2004 (restated)	2,823	442,917	104,225	54,934	54,720	-	(167,738)	491,881	(40,312)	451,569

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

For the six months ended 30th June, 2005

	Attributable to equity holders of the parent									
	Share capital HK\$'000	Share premium HK\$'000	Contribution from shareholders HK\$'000 (note a)	Investment property revaluation reserve HK\$'000	Special capital reserve I & II HK\$'000 (note b)	Exchange reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 31st December, 2004 (restated) and 1st January, 2005	2,823	442,917	104,225	54,934	54,720	-	(167,738)	491,881	(40,312)	451,569
Effects of changes in accounting policies (See Note 3b to the notes to the condensed consolidated financial statements for the details)	-	-	-	(54,934)	-	-	55,841	907	2,219	3,126
As restated	2,823	442,917	104,225	-	54,720	-	(111,897)	492,788	(38,093)	454,695
Net amount received from share placing	565	52,243	-	-	-	-	-	52,808	-	52,808
Profit for the period	-	-	-	-	-	-	81,267	81,267	(1,050)	80,217
At 30th June, 2005	3,388	495,160	104,225	-	54,720	-	(30,630)	626,863	(39,143)	587,720

notes:

(a) Asset Transaction

On 11th February, 2003, the Company and Jumbo Legend Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Chinese Estates Holdings Limited ("Chinese Estates") relating to, among other things, the purchase of a group of wholly-owned subsidiaries of Chinese Estates, which held direct or indirect interests in various properties, and the sale of Super Series Limited ("Super Series"), a wholly-owned subsidiary of the Company which held 100% indirect interest in the development project of Manhattan Avenue (the "Asset Transaction"). The Asset Transaction was completed on 7th November, 2003 and resulted in the acquisition of seven investment properties interests located at Hung Hom, Mong Kok, Sha Tin, Tuen Mun, Kwun Tong, Kwai Chung and Tsim Sha Tsui in Hong Kong and six other properties interests located at Clear Water Bay, Ma Yau Tong, Hung Hom in Hong Kong and Tianjin, Panyu, Shantou in the People's Republic of China respectively.

- (b)** 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.

The Order further stated the Company undertakes that any future recoveries of the advances to Super Series Limited, a former wholly-owned subsidiary of Company, which was disposed of 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 was included in this reserve.

The Company shall at liberty to apply the Special Capital Reserve I and II for the same purposes as share premium account may be applied.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2005

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	(1,351)	5,176
Net cash generated from investing activities	17,501	6,335
Net proceed from share placing	52,808	–
Net cash generated from financing activities other than share placing	320	610
	<hr/>	<hr/>
Net increase in cash and cash equivalents	69,278	12,121
Cash and cash equivalents at beginning of the period	131,121	47,870
Effect of foreign exchange rate changes	–	(54)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>200,399</u>	<u>59,937</u>
Analysis of cash and cash equivalents		
Bank balances and cash	<u>200,399</u>	<u>59,937</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

1. Basis of preparation and principal accounting policies

The unaudited condensed interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the 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 financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2004 except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below. Due to the new adoption of such HKFRSs and HKASs, certain comparative figures previously reported have been restated to comply with the new requirements.

2. Impact of new HKFRSs and Interpretations

In the current period, the Group has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs, in particular the HKASs below, has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

HKAS 1	Presentation of Financial Statements
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS Interpretation 21 (“HKAS INT 21”)	Income Taxes – Recovery of Revalued Non-Depreciable Assets

(a) Presentation of Financial Statements

The adoption of HKAS 1 has affected the presentation of minority interests, which are now shown as equity, and share of net after tax results of associates. These changes have been applied retrospectively (see Note 3 for financial impact).

(b) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in properties held for development and measured at cost less impairment. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payment under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

(c) Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

2. Impact of new HKFRSs and Interpretations (cont'd)

(c) *Financial Instruments* (cont'd)

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice (“SSAP”) 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”.

The carrying amount of interest free loan to an associate and interest free loans from minority shareholders of subsidiaries are adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant and are carried at amortised cost using the effective interest method subsequent to 1st January, 2005 (see Note 3 for the financial impact).

(d) *Investment Properties*

In the current period, the Group has, for the first time, applied HKAS 40 Investment Property. Under HKAS 40, land held for currently undetermined future use is treated as investment property. Accordingly, property interests held for development which was previously measured at cost less impairment was reclassified to investment property at 1st January, 2005.

The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the Group’s accumulated profits or losses. Gains on change in fair value of investment properties held by the Group and the associates were recognised in the income statement during the period (see Note 3 for the financial impact).

(e) *Deferred Taxes related to Investment Properties*

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Accordingly, deferred tax liabilities on investment properties held by associates have been adjusted retrospectively on acquisition of associates from shareholders. The Group’s share of associates reserve and the contribution from shareholders have been restated (see Note 3 for the financial impact).

3. Summary of the effects of the changes in accounting policies

The effects of the changes in accounting policies described in Note 2 on the results for the current and prior period are as follows:

(a) Income statement items

	HKAS 1 HK\$'000 (Note 2a)	HKAS 17 HK\$'000 (Note 2b)	HKAS 32 & HKAS 39 HK\$'000 (Note 2c)	HKAS 40 HK\$'000 (Note 2d)	HKAS INT 21 HK\$'000 (Note 2e)	Total effect HK\$'000
For the six months ended 30th June, 2005						
(Unaudited)						
Increase in imputed interest income from loan to an associate	-	-	462	-	-	462
(Decrease) increase in share of results of associates	(1,408)	-	(462)	83,371	(14,590)	66,911
Decrease in income tax expenses	1,408	-	-	-	-	1,408
Increase in amortisation of prepaid lease payment	-	(7)	-	-	-	(7)
Increase in imputed interest expense on loans from minority shareholders of subsidiaries	-	-	(1,050)	-	-	(1,050)
Increase in fair value of investment properties	-	-	-	2,500	-	2,500
Increase in deferred tax on revaluation of investment properties	-	-	-	-	(490)	(490)
(Decrease) increase in net profit for the period	<u>-</u>	<u>(7)</u>	<u>(1,050)</u>	<u>85,871</u>	<u>(15,080)</u>	<u>69,734</u>
Attributable to:						
Equity holders of the parent	-	(7)	-	85,871	(15,080)	70,784
Minority interests	-	-	(1,050)	-	-	(1,050)
	<u>-</u>	<u>(7)</u>	<u>(1,050)</u>	<u>85,871</u>	<u>(15,080)</u>	<u>69,734</u>
Increase (decrease) in basic earnings per share (HK cents)	<u>-</u>	<u>-</u>	<u>-</u>	<u>26.12</u>	<u>(4.59)</u>	<u>21.53</u>
For the six months ended 30th June, 2004						
(Unaudited)						
Decrease in share of results of associates	(89)	-	-	-	-	(89)
Decrease in income tax expenses	89	-	-	-	-	89
Increase in amortisation of prepaid lease payment	-	(7)	-	-	-	(7)
Decrease in net profit for the period	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Attributable to:						
Equity holders of the parent	-	(7)	-	-	-	(7)
Minority interests	-	-	-	-	-	-
	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Increase (decrease) in basic earnings per share (HK cents)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Summary of the effects of the changes in accounting policies (cont'd)

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised as below:

(b) Balance sheet items

	As at 31st December, 2004 (Originally stated) <i>HK\$'000</i>	Retrospective adjustments			As at 31st December, 2004 (Restated) <i>HK\$'000</i>	Adjustments on 1st January, 2005		As at 1st January, 2005 (Restated) <i>HK\$'000</i>
		HKAS 1 <i>HK\$'000</i> (Note 2a)	HKAS 17 <i>HK\$'000</i> (Note 2b)	HKAS INT 21 <i>HK\$'000</i> (Note 2e)		HKAS 32 & HKAS 39 <i>HK\$'000</i> (Note 2c)	HKAS 40 <i>HK\$'000</i> (Note 2d)	
Investment properties	33,750	-	-	-	33,750	-	15,600	49,350
Properties held for development	10,250	-	(9,500)	-	750	-	-	750
Property interests held for development	14,500	-	-	-	14,500	-	(14,500)	-
Prepaid lease payment	-	-	9,473	-	9,473	-	-	9,473
Interests in associates	320,965	-	-	(24,603)	296,362	-	-	296,362
Other net assets	137,472	-	-	-	137,472	-	-	137,472
Loans from minority shareholders of subsidiaries	(40,312)	-	-	-	(40,312)	2,219	-	(38,093)
Deferred tax liabilities	(426)	-	-	-	(426)	-	(193)	(619)
Total assets and liabilities	476,199	-	(27)	(24,603)	451,569	2,219	907	454,695
Minority interests	40,312	(40,312)	-	-	-	-	-	-
	<u>516,511</u>	<u>(40,312)</u>	<u>(27)</u>	<u>(24,603)</u>	<u>451,569</u>	<u>2,219</u>	<u>907</u>	<u>454,695</u>
Share capital	2,823	-	-	-	2,823	-	-	2,823
Contribution from shareholders	116,283	-	-	(12,058)	104,225	-	-	104,225
Investment property revaluation reserve	65,745	-	-	(10,811)	54,934	-	(54,934)	-
Other reserves	497,637	-	-	-	497,637	-	-	497,637
Accumulated (losses) profits	(165,977)	-	(27)	(1,734)	(167,738)	-	55,841	(111,897)
Equity holders of the parent	<u>516,511</u>	<u>-</u>	<u>(27)</u>	<u>(24,603)</u>	<u>491,881</u>	<u>-</u>	<u>907</u>	<u>492,788</u>
Minority interests	-	(40,312)	-	-	(40,312)	2,219	-	(38,093)
Total equity	<u>516,511</u>	<u>(40,312)</u>	<u>(27)</u>	<u>(24,603)</u>	<u>451,569</u>	<u>2,219</u>	<u>907</u>	<u>454,695</u>

3. Summary of the effects of the changes in accounting policies (cont'd)

- (c) The financial effects of the application of the new HKFRSs to the Group's equity at 1st January, 2004 are summarised below:

	As at 1st January, 2004 (Originally stated) HK\$'000	Retrospective adjustments			As at 1st January, 2004 (Restated) HK\$'000
		HKAS 1 HK\$'000 (Note 2a)	HKAS 17 HK\$'000 (Note 2b)	HKAS INT 21 HK\$'000 (Note 2e)	
Share capital	2,823	–	–	–	2,823
Contribution from shareholders	116,861	–	–	(12,058)	104,803
Investment property revaluation reserve	9,251	–	–	(1,038)	8,213
Other reserves	497,326	–	–	–	497,326
Accumulated profits (loss)	1,701	–	(14)	–	1,687
Equity holders of the parent	627,962	–	(14)	(13,096)	614,852
Minority interests	–	(40,312)	–	–	(40,312)
Total equity	627,962	(40,312)	(14)	(13,096)	574,540

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company (the "Directors") anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – INT 4	Determining whether an Arrangement Contains a Lease
HKAS – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option

4. Revenue

Revenue represents property rental income received and receivable.

5. Segment information

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

(a) Business Segments

	Property development		Property leasing		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>-</u>	<u>-</u>	<u>1,767</u>	<u>3,809</u>	<u>1,767</u>	<u>3,809</u>
Segment result						
– Operating result before fair value changes on investment properties	(455)	(216)*	2,040	4,958	1,585	4,742
– Fair value changes on investment properties	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
– Segment result after fair value changes on investment properties	<u>(455)</u>	<u>(216)</u>	<u>4,540</u>	<u>4,958</u>	<u>4,085</u>	<u>4,742</u>
Unallocated corporate income					-	82
Unallocated corporate expenses					<u>(38)</u>	<u>(1,171)</u>
Profit from operations					<u>4,047</u>	<u>3,653</u>
Finance cost					<u>(1,050)</u>	<u>-</u>
Write-back of allowance for an amount due from a former associate	1,565	-	-	-	1,565	-
Write-back of allowance for an amount due from an associate	-	-	679	-	679	-
Share of results of associates						
– Before fair value changes on investment properties	-	-	6,960	588*	6,960	588
– Fair value changes on investment properties	-	-	83,371	-	83,371	-
– Deferred tax arose from fair value changes of investment properties	-	-	(14,590)	-	(14,590)	-
	<u>-</u>	<u>-</u>	<u>75,741</u>	<u>588</u>	<u>75,741</u>	<u>588</u>
Profit before taxation					<u>80,982</u>	<u>4,241</u>
Current tax	-	(221)	-	-	-	(221)
Deferred tax						
– for fair value changes on investment properties during the period	-	-	(490)	-	(490)	-
– other deferred tax	-	-	(275)	(591)*	(275)	(591)
Profit for the period					<u>80,217</u>	<u>3,429</u>

* Comparative figures in prior year have been restated to comply with the adoption of HKAS 1 and HKAS 17 for which had been applied retrospectively.

5. **Segment information** (cont'd)

(b) *Geographical Segments*

The Group's operations are located in Hong Kong and the People's Republic of China, other than Hong Kong, (the "PRC"). The Group's revenue are all derived from Hong Kong in both periods.

6. **Other operating income**

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interest income on advances to associates	1,404	1,627
Imputed interest income on advance to an associate	462	–
Interest income from bank deposits	1,403	12
Gain on disposal of investment properties	–	377
Sundry income	18	146
	<u>3,287</u>	<u>2,162</u>

7. **Administrative expenses**

Included in administrative expenses are:–

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Depreciation and amortisation	44	45
Staff expenses	660	270
	<u>660</u>	<u>270</u>

8. **Finance cost**

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Imputed interest on loans from minority shareholders of subsidiaries	1,050	–
	<u>1,050</u>	<u>–</u>

9. **Share of results of associates**

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Operating income	2,095	677
Gain on disposal of properties	6,273	–
Fair value changes on investment properties	83,371	–
Current tax	(1,408)	(89)
Deferred tax	(14,590)	–
	<u>75,741</u>	<u>588</u>

10. Taxation

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
The charge comprises:		
<i>Current tax</i>		
Other than Hong Kong		
– Underprovision in prior year	–	(221)
	–	(221)
<i>Deferred tax</i>	(765)	(591)
	(765)	(812)

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.

11. Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the parent for the period of approximately HK\$81,267,000 (period ended 30th June, 2004 (restated): HK\$3,429,000) and on the weighted average number of 328,784,109 (period ended 30th June, 2004: 282,305,987) ordinary shares in issue during the period.

The weighted average number of shares for the current period has been adjusted for the effect of share placing on 2nd February, 2005.

Details of the impact of the changes in accounting policies on the basic earnings per share for both periods are set out in Note 3a.

The Company has no dilutive potential shares at either period.

12. Investment properties

The investment properties of the Group were revalued at 30th June, 2005 by directors on an open market value basis with reference to a review report of the Group's properties (the "Report") prepared by an independent professional properties surveyors. The Report was prepared on a similar basis as the valuation report of the Group as at 31st December 2004. The net increase gave rise in fair value gain of approximately HK\$2,500,000 which has been credited to the income statement for the period.

	2005
	HK\$'000
At 1st January	33,750
Transfer from property interests held for development	15,600
Net increase in fair value of investment properties	2,500
At 30th June	51,850

13. Interests in associates

	30th June,	31st December,
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Share of net assets (<i>note i</i>)	222,997	160,255
Interest bearing advances to associates (<i>note ii</i>)	96,299	109,212
Interest free advances to associates, net of allowances (<i>note iii</i>)	27,174	26,895
	346,470	296,362

13. Interests in associates (cont'd)

notes:

- (i) The investment properties of the associates were revalued at 30th June, 2005 by directors on an open market value basis with reference to a review report of the Group's properties, included the properties of the associates, (the "Report") prepared by an independent professional properties surveyors. The Report was prepared on a similar basis as the valuation report of the Group as at 31st December 2004. The Group recognised our interest in the fair value gain on the investment properties of the associates of HK\$68.8 million (net of deferred tax impact of HK\$14.6 million) as at 30th June 2005. Details are set out in Note 9 share of results of associates.
- (ii) Except for the amounts of HK\$9,500,000 (31st December, 2004: HK\$9,500,000) which bear interest at 6.75% (31st December, 2004: 6.75%), the remaining balances of interest bearing advance to associates bear interest at Prime – 2.75%. The advances are unsecured and the Group will not demand repayment within one year from the balance sheet date and are therefore considered as non-current assets.
- (iii) The interest free advances are unsecured and the Group will not demand repayment within one year from the balance sheet date and are therefore considered as non-current assets. The Directors estimate the fair value of interest free advances by discounting their future cash flow at the market borrowing rate.

14. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$69,000 (31st December, 2004: HK\$62,000) comprising mainly rental receivables.

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

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Within 30 days	12	24
31-60 days	12	–
61-90 days	7	–
Over 90 days	38	38
	<u>69</u>	<u>62</u>

15. Creditors and accruals

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

16. Loans from minority shareholders of subsidiaries

The loans are unsecured, non-interest bearing. The loans are unlikely to be repaid within one year from the balance sheet date and are therefore shown in the balance sheet as non-current liabilities. The Directors estimate the fair value of the loans by discounting their future cash flow at the market borrowing rate.

17. Advance from an associate

The advance is unsecured, non-interest bearing. The advance is unlikely to be repaid within one year from the balance sheet date and are therefore shown in the balance sheet as non-current liabilities. The Directors estimate the fair value of the advances by discounting their future cash flow at the market borrowing rate.

18. Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2004 and 30th June, 2005	50,000,000,000	500,000
Issued and fully paid:		
As at 31st December, 2004 and 1st January, 2005	282,305,987	2,823
Share allotted on placing (note)	56,460,000	565
As at 30th June, 2005	<u>338,765,987</u>	<u>3,388</u>

18. Share capital (cont'd)

note:

On 2nd February, 2005, 56,460,000 shares of the Company were issued and allotted to the independent investors pursuant to a placing agreement entered into between the Company and its placing agent on 24th January, 2005.

19. Capital commitments

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Capital commitments in respect of development expenditure of properties held for development in Hong Kong contracted for but not provided in the financial statements	<u>240</u>	<u>506</u>

20. Related party transactions

During the period, the Group had the following transactions with its related parties:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interest income from associates (<i>note i</i>)	1,404	1,627
Imputed interest income from associates	462	–
Rental paid to a fellow subsidiary (<i>note ii</i>)	<u>29</u>	<u>34</u>

notes:

- (i) Interest was charged at prevailing market rate based on outstanding balance during the period.
- (ii) Office rental was determined on terms similar to those applicable to transactions with unrelated parties.

Outstanding balance and the terms of the advance to associates are set out in Note 13 interests in associates.

Outstanding balance and the terms of the advance from an associate are set out in page 3 condensed consolidated balance sheet and Note 17 advance from an associate respectively.

INTERIM DIVIDEND

The board of the Company (the “Board”) has resolved not to declare any interim dividend for the six months ended 30th June, 2005 (the “Period”) (six months ended 30th June, 2004: Nil).

BUSINESS REVIEW

Results

The Group recorded revenue from rental income for the Period of HK\$1.8 million representing a decrease of 52.6% when compared with HK\$3.8 million reported in the same period last year. The drop in rental income reflecting the decrease in gross floor area of 53% from the disposal of 15 units of Gemstar Tower in 2004 and half of the existing gross floor area is vacant for the purpose of building extension project in Gemstar Tower. Due to the adoption of HKAS 40, the Group recognised an net increase in fair value on investment properties of HK\$2.5 million, which was reflected in the profit from operations. As such the Group recorded HK\$4.1 million profit from operations, a 10% increase as compared with the same period last year.

BUSINESS REVIEW (cont'd)

Results (cont'd)

Contribution from the results of associates for the Period jumped to HK\$75.7 million (30th June, 2004 (restated): HK\$0.6 million). Share of results of associates for the Period mainly comprised an increase in fair value on investment properties of HK\$68.8 million (net of deferred tax impact of HK\$14.6 million) and gain on disposal of properties of HK\$6.3 million.

The Group had also written back of allowance for amounts due from an associate and a former associate of approximately HK\$0.7 million and HK\$1.6 million respectively (30th June, 2004: Nil).

Profit attributable to equity holders of the parent was HK\$81.3 million, increased by 24 times as compared to the same period last year of HK\$3.4 million. Basic earnings per share was HK24.72 cents (30th June, 2004 (restated): HK1.21 cents).

Net Asset Value

As at 30th June, 2005, the Group's total net asset to equity holders of the parent (representing total assets less liabilities and minority interests) amounted to HK\$626.9 million, increased by HK\$135 million or 27.4% (31st December, 2004 (restated): HK\$491.9 million). Total net asset value per share was HK\$1.85 (31st December, 2004 (restated): HK\$1.74).

Debt and Gearing

The Group maintained a strong capital and cash position for the Period. As at 30th June, 2005, cash and bank balances jumped to HK\$200.4 million (31st December, 2004: HK\$131.1 million). The cash position was strengthened by the net proceed of HK\$52.8 million received from the placing of shares of the Company in February 2005. The Group did not have any bank and other borrowings (31st December, 2004: 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, 2005, no assets was pledged by the Group to secure any banking facility and the Group did not have any obligation under banking facility documentation.

Contingent Liabilities

The Group did not have any material contingent liabilities at the end of the Period.

Financial and Interest Income/Expenses

Interest income for the Period increased to HK\$3.3 million which included an imputed interest income of HK\$0.5 million on a loan to an associate (30th June, 2004: HK\$1.6 million). The Group recorded an imputed interest expenses on interest free loans from the minority shareholders of subsidiaries of HK\$1.0 million (30th June, 2004: Nil). The recognition of imputed interest income and expenses was due to the adoption of the HKAS 39.

Remuneration Policies and Share Option

During the Period, the Group employed a total of 7 staff. Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The directors of the Company (the "Directors") continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Period.

PROPERTY REVIEW

In Hong Kong

Property Development

No. 34 Hill Road, Western District – 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.

Investment Properties and Properties Held for Sale

Gemstar Tower, Hung Hom – The property is a 17-storey godown building. The Group held 13 godown units on various floors with a total gross floor area of approximately 62,665 square feet and 50 carparking spaces as at 30th June, 2005. As at 30th June, 2005, the occupancy rate of godown was 27.52%. Extension works for the addition of 2 godown storeys above the top floor was commenced in May 2005 and scheduled to be completed in May 2006. The additional gross floor area as a result of this addition will be approximately 55,600 square feet.

Inter-Continental Plaza, Tsim Sha Tsui – The property is a 15-storey commercial building, the Group has interests in two office floors and a flat roof with a total gross floor area of approximately 22,204 square feet and 1,876 square feet respectively. As at 30th June, 2005, the two office floors were fully let.

No. 1 Hung To Road, Kwun Tong – The property is a 33-storey industrial building. During the period under review, 22,766 square feet had been sold. The Group has interest in various portions on various floors with a total gross floor area of approximately 545,581 square feet. The Group also has interest in 77 carparking space.

CORPORATE INFORMATION

On 24th January, 2005, the Company entered into a placing agreement with its placing agent to place 56,460,000 shares of the Company at HK\$0.95 each (the “Placing”). The Placing was completed on 2nd February, 2005 and the net proceed from the Placing was approximately HK\$52.8 million.

LITIGATION

1. Progress of legal proceedings between a finance company (in liquidation) and the Company

The legal proceedings relate to a margin loan granted to the Company by the finance company for the dealing of securities during the period from October 1996 to January 1998. The Company filed a Defence and Counterclaim in December 2004 and the finance company also filed their Reply and Defence to Counterclaim in January 2005. The Group made a provision of approximately HK\$8.4 million in 2004 for the finance company’s claim.

The Company has been seeking legal advice and is prepared for any further conduct of the legal proceedings. The Directors believe that the provision for the case is sufficient.

2. Progress of legal proceedings between the State-owned Land Resources Bureau (汕頭市澄海區規劃與國土資源局) (the “Bureau”) and a wholly-owned subsidiary of the Company

The legal proceedings relate to a Contract for Pre-registration of Grant of State-owned Land Use Rights (澄海縣出讓國有土地使用權預約合同). The Group has commenced legal proceedings against the Bureau and claims for refund of land cost of RMB 53 million with interest.

The case is currently being considered by 汕頭市中級人民法院 and no judgment has been handed down yet.

PROSPECT

The Group maintained a strong cash position with bank balances and cash of HK\$200.4 million as at 30th June, 2005 after the proceeds received from the share placing. The Group is seeking and exploring investment and business opportunities in Greater China and elsewhere. It is expected that the property market for all sectors will continue to grow steadily in the second half of 2005.

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

As at 30th June, 2005, 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 Directors of Listed Issuers are 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	61.93%

II. Associated Corporations 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	
	275,143,456	3	Other Interests	
	<u>1,275,143,456</u>			62.81%
Thomas Lau, Luen-hung	<u>199,207,187</u>	4	Other Interests	9.81%

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	50.10%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS (cont'd)

Notes:

1. Mr. Joseph Lau, Luen-hung, by virtue of his 62.81% 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. The rest of the units in the unit trust were held 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 275,143,456 shares of Chinese Estates were held by another discretionary trust of which certain family members of Mr. Joseph Lau, Luen-hung were eligible beneficiary.
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 62.81% 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, 2005.

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, 2005, 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, 2005.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30th June, 2005, so far as are known to the Directors of the Company, the following parties (other than a Director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of Shares (ordinary share)	Capacity	Percentage of Issued Share Capital
Billion Up Limited	209,811,186 <i>(notes 1 & 2)</i>	Beneficial Owner	61.93%
Lucky Years Ltd.	209,811,186 <i>(notes 1 & 2)</i>	Interest in Controlled Corporation	61.93%
Chinese Estates	209,811,186 <i>(notes 1 & 2)</i>	Interest in Controlled Corporation	61.93%
Global King Ltd.	209,811,186 <i>(notes 1 & 3)</i>	Trustee	61.93%
GZ Trust Corporation	209,811,186 <i>(notes 1 & 3)</i>	Trustee and Beneficiary of a Trust	61.93%
Li Ka-shing	20,833,142 <i>(notes 4 & 5)</i>	Founder of Discretionary Trusts and Interest of Controlled Corporations	6.15%
Li Ka-Shing Unity Trustcorp Limited	20,833,142 <i>(notes 4 & 5)</i>	Trustee and Beneficiary of a Trust	6.15%
Li Ka-Shing Unity Trustee Corporation Limited	20,833,142 <i>(notes 4 & 5)</i>	Trustee and Beneficiary of a Trust	6.15%
Li Ka-Shing Unity Trustee Company Limited	20,833,142 <i>(notes 4 & 5)</i>	Trustee	6.15%
Cheung Kong (Holdings) Limited	20,833,142 <i>(notes 4 & 5)</i>	Interest of Controlled Corporations	6.15%
Hutchison Whampoa Limited	20,833,142 <i>(note 4)</i>	Interest of Controlled Corporations	6.15%
Hutchison International Limited	20,833,142 <i>(note 4)</i>	Interest of a Controlled Corporation	6.15%
Primetek Holdings Limited	20,833,142 <i>(note 4)</i>	Beneficial Owner	6.15%

Notes:

1. These shares were the same parcel of shares referred to in "Interest in Controlled Corporation" of Mr. Joseph Lau, Luen-hung 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY (cont'd)

Notes: (cont'd)

3. 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 the 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.
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 were deemed to be interested in the 20,833,142 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 20,833,142 shares of the Company held by Primetek.

All the interests stated above represent long positions. As at 30th June, 2005, 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, 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENT REVIEW

The interim results for the Period are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, whose independent review report is included in this report. The audit committee of the Company (the "Audit Committee"), comprised Mr. Wang, Jian-guo ("Mr. Wang"), Mr. Mok, Hon-sang ("Mr. Mok") and Mr. Wong, Tik-tung ("Mr. Wong"), the Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the Period.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

Advances To Entities

As at 30th June, 2005, the Group had made advances to associated companies of approximately HK\$201.9 million (before provision). 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.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES (cont'd)

Advances To Entities (cont'd)

Pursuant to Listing Rule 13.20, the Company disclose details of the loans advanced to the entities as at 30th June, 2005, which individually exceeded 8% of the percentage ratio as defined under the Listing Rules are set out 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	Prime -2.75	84,367	2,432	86,799
Canaria Holding Limited	50	N/A	–	53,792	53,792
Tianjin Winson Real Estate Development Co., Ltd	50	N/A	–	53,840	53,840
Earn Elite Development Limited	50	6.75	9,500	318	9,818
			<u>93,867</u>	<u>110,382</u>	<u>204,249</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, 2005 (the latest practicable date) is presented below:

	(Note) Combined total HK\$'000	Interest attributable to the Group HK\$'000
Non-current assets	961,006	335,553
Current assets	15,736	6,421
Current liabilities	(23,035)	(8,275)
Non-current liabilities	<u>(591,026)</u>	<u>(237,467)</u>
Net assets	<u>362,681</u>	<u>96,232</u>

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

CORPORATE GOVERNANCE

The remuneration committee of the Company comprised Mr. Wang, Mr. Mok and Mr. Wong was established with specific written terms of reference in accordance with the requirements of the code provisions in Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code Provisions"). The Board believed that the Company has complied with the Code Provisions, except that:

- 1) the Independent Non-executive Directors have not been 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.
- 2) the Directors have not been required by the Company's Articles of Association to retire by rotation at least once every three years. However, in accordance with the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation at each annual general meeting.

CORPORATE GOVERNANCE (cont'd)

The Board will ensure the retirement of each Director by rotation at least once every three years in order to comply with the Code Provisions.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30th June, 2005.

APPRECIATION

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

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

Hong Kong, 24th August, 2005