

Chairman's Statement

OVERVIEW

During the period under review, the Group launched the sale of Royal Green, a Sheung Shui residential development in which the Group has a 55% interest, and started the planning and development of the several property sites previously acquired. Following the business strategy decided, the Group sold a number of properties which were perceived to have little growth potential, and continues to seek other investment opportunities to replenish its property portfolio.

RESULTS

The Group's unaudited consolidated profit attributed to the equity holders of the Company for the financial period ended 30th June, 2005 was HK\$730.7 million which, compared to HK\$66.5 million for the corresponding period in 2004, represented an increase of 998.8%. The increase in profit was principally due to the booking of the sales on Royal Green, the net surplus from revaluation of investment properties in compliance with the new HKFRS, and net saving on finance costs resulted from disposal of properties in New Zealand. It should be mentioned, however, that the saving in finance costs was off-set by a reduction in rental income and small loss on disposal of the New Zealand properties.

DIVIDEND

The board has declared an interim dividend of HK4 cents (2004: HK4 cents) per share for the six months period ended 30th June, 2005 payable on 17th October, 2005 to the shareholders of the Company whose names appear in the Register of Members on 14th October, 2005. Total dividends payable are HK\$21.3 million and will be increased by HK\$5.1 million as a result of additional ordinary shares issued upon exercise of all the outstanding warrants and share option subscription rights.

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

Rental income of the Group's flagship building for the period increased by 5.4% as a result of improved occupancy rate. As demand for office space and rental rate have began to show strong recovery, the Group expects the building's occupancy rate and rental income would improve further.

In May, the Group launched the sale of Phase 1 of Royal Green, a joint-venture development project with Henderson Land at Sheung Shui, which consists of 3 towers with a total of 922 units. About 69% of the units were sold at satisfactory price level and sale of the remaining units of the project is being planned.

The hotel development plan at 6-20 Leighton Road was submitted to the Town Planning Board and approval has been obtained this month.

A comprehensive development plan is being designed for the 20,092 sq.m. site at Fo Tan, near KCR Railway Station. It is expected the development will take 4-6 years to complete.

Construction of the site at Po Kong Village Road, Diamond Hill, has commenced. The development will be a 48 storey composite building consisting of 304 residential units and a seven-level podium of retail space, clubhouse and carparks. Construction is expected to be completed by the 3rd quarter of 2007.

Construction of the Wanchai Road project has commenced and the development is expected to be completed by mid-2007. Pre-sale of the development is planned for the 1st half of 2006.

Chairman's Statement

China

Guangzhou

The Westmin Plaza, Phase II which comprises of four residential blocks, and one office block on top of the commercial podium. Construction of superstructure is progressing on schedule and pre-sale of the residential units is being planned. The whole development is expected to be completed by the end of 2006.

Chengdu

The construction of Plaza Central (formerly Overseas Exchange Square), which has a gross floor area of 91,511 sq.m. comprising of two 29-storey office blocks and a six-level retail podium, is near its completion. Leasing work for the retail and office space has commenced.

Leasing of the office units of the Group's joint venture project, New Century Plaza, continues.

Australia and New Zealand

The 1st half of 2005 has been a period of consolidation for Trans Tasman Properties Limited ("TTP"). TTP achieved a net surplus of NZD6.5 million compared to NZD12.2 million for the corresponding period. TTP's transition from a passive investor to an active investor and developer is now largely complete. The drop in earnings in this half year reflects the status of TTP's current development properties and projects, most of which are in progress rather than nearing completion. Net assets value per share as at 30th June, 2005 was NZ66.6 cents compared to NZ64.3 cents as at 31st December, 2004.

During the period TTP completed a number of significant transactions including:

1. sale of EDS House, Wellington;
2. settlement of Qantas House, Finance Centre, 28 Shortland Street and 69 The Mall sales;
3. sale of Air New Zealand head office development in Auckland;
4. sale of the remaining two Airpark 1 development sites;
5. purchase of a controlling interest in a 125 hectare development property at Woodend, Christchurch; and
6. purchase of a development site at 120 Halsey Street, Auckland Viaduct.

Garment Operation

Turnover, excluding quota sales, for the 1st six months improved from HK\$10.7 million in 2004 to HK\$16.4 million in 2005, an increase of 53.3%, and gross profit also showed slight improvement. The operation reported a net profit for the period of HK\$0.2 million as compared to a loss of HK\$0.2 million for same period 2004. With the abolition of quota system from 1st January, 2005, income from this sector will no longer exist, hence the drop in our revenue from the garment operation is expected.

CORPORATE CHANGES IN TTP

During the period under review, the Group acquired shares in TTP from the market and its interest in TTP increased from 61.31% to 63.05%.

Chairman's Statement

FINANCIAL REVIEW

Turnover for the period ended 30th June, 2005 amounted to HK\$664.8 million (2004: HK\$184.9 million), a 259.5% increase over the same period last year. The increase was mainly due to following:

1. The sales proceeds recognized from the development project in Sheung Shui, Royal Green, amounted to HK\$275.5 million.
2. The settlement of disposals of properties in New Zealand and Australia amounted to HK\$130.2 million and HK\$160.0 million respectively.
3. Absence of quota sales income after the abolishment of quota system.
4. Partially offset by the rental income foregone after the disposals of various investment properties in New Zealand and Australia, amounted to HK\$50.7 million.

Net profit for the period amounted to HK\$789.0 million (2004: HK\$95.3 million), a 727.9% increase over the same period last year. The profit attributable to equity holders of the Company amounted to HK\$730.7 million (2004: HK\$66.5 million), a 998.8% increase over the same period last year. Reasons for the increase were mainly as follows:

1. The net profit derived from the Royal Green project amounted to HK\$112.0 million.
2. A gain arising from change in fair value of investment properties amounted to HK\$647.0 million.
3. Finance costs saving from New Zealand amounted to HK\$39.9 million.
4. These gains were however partially offset by:
 - A loss on the disposal of investments properties in New Zealand as compared to a gain for same period last year. The difference amounted to HK\$37.4 million.
 - A decrease in net rental profit after the settlement of various disposals of investment properties in New Zealand and Australia amounted to HK\$25.3 million.
 - A decrease in interest income from New Zealand amounted to HK\$28.0 million.

For the purpose of preparing the financial statements for the period under review, the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), including all the Hong Kong Accounting Standards and relevant interpretations, which took effect on 1st January, 2005. The resulting significant changes in accounting treatment and presentation are detailed in Note 2 of Notes to the Condensed Consolidated Financial Statements.

In compliance with the new HKFRSs, the Group revalued its investment properties as at 30th June, 2005 and accounted for a net attributable surplus of HK\$647.0 million, representing revaluation surplus of HK\$778.0 million less related deferred tax and minority interest of HK\$131.0 million, in its profit and loss account for the period under review. Excluding this revaluation net surplus from the results, the Group's net profit for the period would be HK\$142.0 million, an increase of HK\$46.7 million or 49.0% over the same period last year.

Net Asset Value

The Group's total assets increased by HK\$522.4 million, as at 30th June, 2005, as a result of the change in fair value of its investment properties and the sale of various investment and development properties in New Zealand and in Hong Kong. The Group's total borrowings decreased by HK\$530.4 million, as at 30th June, 2005, after repayment of bank loans by TTP Group on its properties sold.

Chairman's Statement

As at 30th June, 2005, the Group's total net asset to equity holders of the Company amounted to HK\$3,980.5 million, an increase of 29.6% when compared to HK\$3,072.1 million at 31st December, 2004. With a total number of ordinary shares in issue of 513,415,780 as at 30th June, 2005, the Net Asset Value per share to equity holders of the Company was HK\$7.75 per share, a 29.0% increase over the Net Asset Value of HK\$6.01 per share as at 31st December, 2004. The increase in Net Asset Value per share was mainly due to the profit retained for the period, reclassification of negative goodwill less deferred tax to retained earnings resulted from the implementation of new HKFRSs, exchange difference, and dividends paid.

Financial Resources and Liquidity

Shareholders' Equity

As at 30th June, 2005, the Group's equity attributable to equity holders of the Company amounted to HK\$3,980.5 million (31st December, 2004: HK\$3,072.1 million), an increase of 29.6%, which was mainly due to the profit retained for the period of HK\$730.7 million, the reclassification of negative goodwill less deferred tax to retained earnings of HK\$225.2 million, decreased in exchange difference of HK\$22.3 million and dividends paid of HK\$30.7 million.

Working Capital and Loan Facilities

As at 30th June, 2005, the Group's cash balance were HK\$872.8 million (31st December, 2004: HK\$871.2 million) and unutilized facilities, HK\$1,631.4 million (31st December, 2004: HK\$933.8 million). Its current (working capital) ratio improved from 1.84 at 31st December, 2004 to 2.85 at 30th June, 2005. The improvement was mainly due to the repayment of loans after the disposals of properties in New Zealand.

Pledge of Assets

Bank borrowings of the New Zealand Group, including TTP and its Australia subsidiary, Australian Growth Properties Limited, are denominated in NZD and AUD respectively. As at 30th June, 2005, the New Zealand Group's total bank loans drawn were HK\$771.1 million, which were secured mainly by properties valued at HK\$1,013.1 million.

As at 30th June, 2005, the Group's subsidiary in Indonesia had drawn bank loans amounted to HK\$51.3 million. The loans which were secured mainly by properties valued at HK\$19.9 million and pledged fixed deposits of HK\$43.6 million.

For the Group companies operating in Hong Kong and China, borrowings as at 30th June, 2005 amounted to HK\$1,782.0 million, which were secured by properties valued at HK\$4,377.3 million.

Chairman's Statement

Capital Expenditure Commitments

As at 30th June, 2005, the Group had capital commitments not provided for in the condensed consolidated financial statements in respect of expenditure to be incurred on properties as follows:

	30th June, 2005 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Authorised but not contracted for		
Hong Kong	298,267	300,000
PRC	99,000	82,000
	397,267	382,000
Contracted for but not provided for in the condensed consolidated financial statements		
Hong Kong	96,880	284,595
PRC	181,000	234,000
New Zealand and Australia	42,453	221,992
	320,333	740,587

Refinancing and Gearing

Major credit facilities have been renewed on a medium and long-term basis which will provide the Group with the capacity and flexibility to seize and undertake development and investment opportunities consistent with its strategy of remaining a long-term player in the property industry.

Gearing ratio as at 30th June, 2005, calculated on the basis of net interest bearing debt minus cash, as a percentage of total property assets reduced from 34% to 27%. The improvement was mainly due to the significant repayment of loans after the disposal of properties in New Zealand.

Capital movements

During the period, certain holders of warrants exercised their rights to subscribe for 1,877,173 ordinary shares at an exercise price of HK\$1.38 per share. Saved as aforesaid, the Company did not issue any additional shares or any type of capital instruments during the period.

Loan maturity profile

As at 30th June, 2005, maturities of the Group's outstanding borrowings were as follows:

	30th June, 2005 <i>HK\$ million</i>	31st December, 2004 <i>HK\$ million</i>
Due within 1 year	1,059.6	1,432.1
1 – 2 years	163.2	253.4
3 – 5 years	754.7	736.9
Over 5 years	689.4	774.9
	2,666.9	3,197.3

Chairman's Statement

Treasury policies

The Group adheres to prudent treasury policies. As at 30th June, 2005 about 98% of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries. Its borrowings are principally based on floating rate terms but for loans of sizeable amount, interest rate hedging mechanisms have been arranged to safeguard against any interest rate volatility. The use of hedging instruments including swaps and forwards are strictly controlled and solely for management of the Group's interest rate and currency exposures in connection with its borrowings.

MANAGEMENT AND STAFF

The Group had 207 employees at 30th June, 2005 compared with 170 for the corresponding period. Salary and benefits are reviewed at least annually both in response to market conditions and trends and in conjunction with individual performance appraisals. Fringe benefits including study and training allowances, and voluntary employer contributions to retirement schemes are offered to most employees. The Company operates an employee share option scheme with options granted to the Group employees on a discretionary basis by the Board.

The Board wishes to thank to the management and staff for their commitment, contribution and dedication and to the customers and tenants for their continued support to the Group.

INDEPENDENT REVIEW

The interim results for the period are unaudited, but have been reviewed by Deloitte Touche Tohmatsu and the Audit Committee of the Company. The Audit Committee was established in December 1998 and its terms of reference were subsequently revised in accordance with the provisions set out in the Code on Corporate Governance Practices. The existing Audit Committee comprises three Independent Non-executive Directors, namely Mr. Leung Hok Lim, Mr. Walujo Santoso, Wally, and Mr. Chung Pui Lam. The principal duties of the Audit Committee include the review the Group's unaudited interim and audited annual financial information, accounting principles and practices adopted by the Group and internal control procedures.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Main Board Listing Rules throughout the review period, except for deviation from code provision A.2.1, which states that the roles of the chairman and chief executive officer are required to be separated and not to be performed by the same individual.

The Company does not propose to comply with code provision A.2.1 for the time being. The chairman of the Company currently oversees the management and the Group's business. The Board considers the present management structure has been effective in facilitating the operation and development of the Group for a considerable period of time and no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment where the market sentiment may vary quite significantly in different areas of the Asia Pacific region.

Chairman's Statement

OUTLOOK

During the first half of 2005, the Hong Kong economy continued the recovery momentum of last year. The opening of Disney Land and the continued influx of Mainland visitors to Hong Kong, would no doubt have a positive impact on the local consumer market and retail trade, which in turn would boost the local consumer and business confidence. These positive factors, however, are partially offset by the recent rises in interest rate.

Nevertheless, with the good underlying property demand, stable Government land supply policy and acceptable mortgage affordability, the Group anticipates the property market to sustain a healthy growth in the foreseeable future. Accordingly, we expect our sales for the 2nd half of the year to remain satisfactory.

Through a number of key acquisitions and investments, the Group is growing on an even stronger platform for future expansion. The projects now being developed by the Group are progressing according to plan, and the management team is working hard to ensure the quality of the projects is of high standard and their completion timely. We are positive of the business outlook of the Company.

SHARE REGISTRATION

The Register of Members of the Company will be closed from Wednesday, 12th October, 2005 to Friday, 14th October, 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 10th October, 2005. Warrantholders who wish to participate in the interim dividend must exercise their subscription rights not later than 4:00 p.m. on Monday, 10th October, 2005.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

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 or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

1. Long positions in shares and underlying shares of the Company

Name of Director	No. of Shares		Number of underlying shares (warrants)		Number of underlying shares (share option)	Total	% of shares in issue
	Personal interests	Corporate interests	Personal interests	Corporate interests			
Tse Man Bun	100,000	-	-	-	-	100,000	0.02
Lu Wing Yuk, Andrew	-	-	-	-	3,000,000	3,000,000	0.58
Lu Wing Chi	-	-	-	-	12,500,000	12,500,000	2.43
Lu Wing Lin	94,000	-	-	-	12,500,000	12,594,000	2.45
Lincoln Lu	618,000	261,993,811	572,717	73,897,812	-	337,082,340 ^(Note)	65.65
Lambert Lu	610,000	261,993,811	572,717	73,897,812	-	337,074,340 ^(Note)	65.65

Chairman's Statement

Note: Of these shares and warrants of the Company, 261,993,811 shares and warrants carrying 73,897,812 underlying shares deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO. 261,993,811 shares and warrants carrying 71,786,743 underlying shares out of such shares were held by Nan Luen International Limited, which was 62.77% owned by JCS Limited ("JCS"), and warrants carrying 2,111,069 underlying shares were held directly by JCS. JCS was 26.09% owned by a discretionary trust, of which both directors are beneficiaries. In addition, Messrs. Lincoln Lu and Lambert Lu were each interested in 10.87% in JCS directly. JCS is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

2. Long positions in shares and underlying shares of associated corporations

(a) JCS Limited

Name of Director	Personal interests	Interests as discretionary trust beneficiary	Total	% of shares in issue
Lu Wing Chi	3,000	12,000 ¹	15,000	32.60
Lincoln Lu	5,000	12,000 ¹	17,000	36.96
Lambert Lu	5,000	12,000 ¹	17,000	36.96

(b) Nan Luen International Limited

Name of Director	Interests held by controlled corporation	% of shares in issue
Lincoln Lu	98,210 ²	62.77
Lambert Lu	98,210 ²	62.77

Notes:

- 12,000 shares in JCS Limited deemed to be interested by Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these three directors for the purpose of the SFO. Such shares were held by a discretionary trust, of which all three directors are beneficiaries.
- 98,210 shares in Nan Luen International Limited deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO. Those shares were held by JCS Limited, which is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

3. Employee Share Option Scheme

Old scheme

The Company operates an Employee Share Option Scheme ("the Old Scheme") adopted by ordinary resolution on 23rd June, 2000, which complies with the Listing Rules as existed prior to 1st September, 2001. The rules governing share options were revised to the form currently set out in Chapter 17 of the Listing Rules on 1st September, 2001. According to the transitional arrangement set out in the Listing Rules, the Company cannot grant further options under the Old Share Option Scheme unless the scheme is amended to comply with the new requirements set out in the Listing Rules. The Company has not granted any share options since 1st September, 2001. At the special general meeting held on 19th August, 2005, the Old Scheme was terminated.

Chairman's Statement

New scheme

The Company adopted a New Employee Share Option Scheme ("the New Scheme") at the special general meeting held on 19th August, 2005 which in compliance with the new requirements set out in the Listing Rules.

Options granted

During the review period, the Company did not grant any share option under the New Scheme. All options granted prior to the termination of the Old Scheme shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

As at 30th June, 2005, certain directors have outstanding share options granted pursuant to the Old Scheme, details of which were as follows:

Name of Director	Date of grant	Exercise Price (HK\$)	Exercise period	Number of share options as at 1.1.2005 and 30.6.2005
Lu Wing Yuk, Andrew	4.12.2000	1.44	4.12.2000 – 3.12.2010	3,000,000
Lu Wing Chi	4.12.2000	1.44	4.12.2000 – 3.12.2010	12,500,000
Lu Wing Lin	4.12.2000	1.44	4.12.2000 – 3.12-2010	12,500,000

Saved as disclosed above, as at 30th June, 2005, none of the Directors and chief executives nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

So far as is known to any Director or chief executive of the Company, as at 30th June, 2005, persons, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Chairman's Statement

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Number of underlying shares (warrants)	Total	% of shares in issue
JCS Limited	Direct interest	–	2,111,069	2,111,069	
	Held by controlled corporation	261,993,811	71,786,743	333,780,554 ^(Note)	
				335,891,623	65.42
Eaver Company Limited	Direct interest	608,000	–	608,000	
	Held by controlled corporation	261,993,811	71,786,743	333,780,554 ^(Note)	
				334,388,554	65.13
Nan Luen International Limited	Direct interest	261,993,811	71,786,743	333,780,554 ^(Note)	65.01
Pacific Rose Enterprises Limited	Direct interest	31,955,873	3,581,257	35,537,130	6.92
Cypress Gold Limited	Direct interest	20,013,043	7,711,957	27,725,000	5.40

Note: 261,993,811 shares and warrants carrying 71,786,743 underlying shares deemed to be interested by JCS Limited, Eaver Company Limited and Nan Luen International Limited represented the same interests and were therefore duplicated amongst these three shareholders for the purpose of the SFO. JCS Limited and Eaver Company Limited were respectively interested in 62.77% and 37.23% in Nan Luen International Limited, which in turn was interested in these shares and warrants.

Save as disclosed above, the Directors are not aware of any other person who, as at 30th June, 2005, had an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Main Board Listing Rules ("Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Model Code throughout the review period.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares or warrants.

Lu Wing Chi

Chairman and Managing Director

Hong Kong, 15th September, 2005