



# Management Statement

The Directors hereby present their management statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2005.

## INTERIM RESULTS

For the six months ended 31st December, 2005, the turnover of the Group increased by about 30% to HK\$107,992,000 after taking into account the sales proceeds of Phase III of Chaoyang Garden in Beijing. The Group’s gross profit rose by about 36%, to HK\$32,336,000 for the period.

During the period under review, the Group disposed of its cargo centre, realizing a capital gain of HK\$126,000,000 boosting the Group’s total profit for the period to HK\$143,796,000 and earnings per share to HK\$0.64, as compared to HK\$13,096,000 and HK\$0.055 respectively for the last corresponding period.

## SEGMENTAL INFORMATION

Details of the segmental information of the Group’s turnover and profit by principal activity and geographical location of operations for the period are set out in note 4 to the condensed consolidated financial statements.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share for the six months ended 31st December, 2005 to all shareholders whose names appear on the register of members of the Company on 21st April, 2006. The dividend warrants are expected to be despatched to those entitled on or about 4th May, 2006.

## BUSINESS REVIEW

### Chaoyang Garden

Construction of Phase III of Chaoyang Garden was completed on schedule in September 2005 and delivered to the buyers. So far about 59% of its commercial apartments is taken up and sold. Leasing activities of the podium shopping mall, have started.

## Dynamic Cargo Centre

On 4th October, 2005, the Group disposed of its cargo centre for a cash consideration of HK\$650,000,000, subject to a deduction of HK\$18,000,000 as a lump sum rental guarantee to the purchaser. A capital gain of HK\$126,000,000 was realized on the disposal, details of which were disclosed in an announcement made by the Group on 4th October, 2005.

## Tung Kok Tau

The port operations in Tung Kok Tau has made a small profit contribution of HK\$6,191,000 to the Group during the period.

## FINANCIAL REVIEW

The financial position of the Group remains sound and liquid. At 31st December, 2005, the equity attributable to equity holders of the Company amounted to HK\$972,949,000 (30th June, 2005: HK\$831,131,000) with net asset value per share of HK\$4.44 (30th June, 2005: HK\$3.79). Total borrowings of the Group, both secured and unsecured, were about HK\$79,499,000 (30th June, 2005: HK\$291,794,000) as at 31st December, 2005, which were in Hong Kong dollars, Renminbi and United States dollars and repayable within five years at an average interest rate of about 6.19% (30th June, 2005: 4.88%) per annum. As at 31st December, 2005, the gearing ratio of the Group was about 8% (30th June, 2005: 35%) based on the Group's total borrowings to its equity attributable to equity holders of the Company. The extent of credit facilities unutilised by the Group as at 31st December, 2005 amounted to HK\$178,337,800 (30th June, 2005: HK\$221,624,800), of which HK\$10,000,000 (30th June, 2005: HK\$111,500,000) was banking facilities and HK\$168,337,800 (30th June, 2005: HK\$110,124,800) was a credit facility provided by a related company.

As at 31st December, 2005, the Group pledged certain of its assets to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$21,027,000 (30th June, 2005: HK\$27,964,000) to banks to secure mortgage bank loans granted to the home buyers. The contingent liabilities of the Company for guarantees given to financial institutions in respect of banking facilities granted to the Group amounted to HK\$79,126,000 (30th June, 2005: HK\$334,674,000). In addition,

the Group and the Company have given guarantees in respect of mortgage loans provided by banks to the home buyers of a property project in the People's Republic of China. At 31st December, 2005, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$626,360,000 (30th June, 2005: HK\$643,533,000) and HK\$38,763,000 (30th June, 2005: HK\$38,858,000) respectively.

And there was a claim against a subsidiary of the Group in the amount of about HK\$14,879,000 (30th June, 2005: HK\$14,879,000), but the subsidiary and its legal counsel are strongly resisting this claim and a counterclaim of about HK\$49,309,000 (30th June, 2005: HK\$49,309,000) has been lodged against the plaintiff.

In the period, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest, sales proceeds and rental income of Dynamic Cargo Centre and revenue of port operations. As at 31st December, 2005, the Group's bank balances and cash stood at HK\$507,186,000 (30th June, 2005: HK\$101,773,000) denominated primarily in Renminbi yuans and Hong Kong dollars. No significant exposure to foreign currency fluctuations affected the Group in the period under review. The funding requirements for development projects of Chaoyang Garden, acquisition of office area in West Tower of Eton Place and redevelopment of Tung Kok Tau are intended to be financed by internal resources, bank borrowings and such other means of financing as the Directors may deem expedient.

### **EMPLOYEES**

At 31st December, 2005, the Group had about 150 employees in Hong Kong and the Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

## PROSPECTS

### Beijing

It is expected that the sales of commercial apartments of Phase III will meet targets. So far, about 40% of the four-storey podium shopping mall has been leased. Grand opening of the mall is scheduled to take place in the third quarter of this year.

### Shanghai

On 6th January, 2006, the Group announced its proposed acquisition of a block of 182 office units in Shanghai, Pudong from connected parties for a total consideration of HK\$728 millions. Details of the proposed transaction were set out in a circular dated 24th February, 2006 sent to all the shareholders of the Company. The acquisition was duly approved by the independent shareholders at a special general meeting of the Company held on 13th March, 2006.

With the disposal of the cargo centre and the subsequent acquisition of the Shanghai office block, the Group has completed a strategic swap of its major investment property to a higher-yield RMB based asset. Measures taken by the Central Government to cool down the speculative residential market in Shanghai has had little or no effect on the commercial segment. Office rental continues to climb at a fast pace. With the inevitable appreciation of the RMB, the Group's investment in Shanghai is expected to generate a better short-term rental yield as well as a longer term capital appreciation.

### Tung Kok Tau

The Western Corridor, the bridge linking Hong Kong and Tung Kok Tau will become operational by the end of this year, which together with the scheduled relocation of the neighboring oil and gas depot, will enhance the overall redevelopment of the Tung Kok Tau site currently under replanning by the city planning authorities. As the premium of the land in question has been fully paid for and the land itself has appreciated in value, the Group will have no difficulties in funding the development with its internal resources and banking facilities.

The Group has just lodged a petition for international arbitration which will effectively set a date to end the protracted negotiations with the Chinese partner. In the meantime, talks are continuing with the Chinese partner with a view to reaching an earlier settlement.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18th April, 2006 to Friday, 21st April, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13th April, 2006.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2005, the interests of the Directors, the chief executive(s) and their associates in the shares of the Company (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained under Section 352 of the SFO were as follows:

Name of Director	Number of issued ordinary shares held (long position)		Percentage of the issued share capital of the Company
	Personal interests	Corporate interests	
Mr. CHUA Domingo ( <i>Note</i> )	4,000,000	89,321,279	42.59%
Mr. PANG Kit Man, John	1,302,000	—	0.59%

*Note: The corporate interests of Mr. CHUA Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. CHUA Domingo is the sole shareholder and director.*

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 31st

December, 2005; or were required, pursuant to Model Code for Securities Transactions by Directors of the Listed Companies, to be notified to the Company and The Stock Exchange of Hong Kong Limited.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, the interests of substantial shareholders (other than a Director of the Company) in the shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

<b>Name of shareholder</b>	<b>Number of issued ordinary shares held (long position)</b>	<b>Percentage of the issued share capital of the Company</b>
Plus Holdings Limited ( <i>Note</i> )	13,152,000	6%

*Note: The interests of Plus Holdings Limited were held through Telecom Plus Investment Limited, its wholly-owned subsidiary.*

Other than as disclosed above and the interests disclosed in the Directors' interests in shares in respect of Mr. CHUA Domingo, the Company has not been notified of any other interests or short position and underlying shares of the Company as required to be recorded in the register under Section 336 of the SFO as at 31st December, 2005.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions in the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards of dealings as set out therein during the six months ended 31st December, 2005.

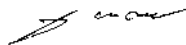
## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with the management the accounting practices and principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of these unaudited interim report for the six months ended 31st December, 2005.

By Order of the Board



**PANG Kit Man, John**  
*Director and Chief Executive Officer*

Hong Kong, 28th March, 2006