



**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, 2006**

## **CORPORATE INFORMATION**

### **Directors**

#### *Executive Directors:*

Matthew Cheong, Veng-va (*Chairman*)

Teresa Poon, Mun-chie (*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

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

### **Registered Office**

26th Floor, MassMutual Tower

38 Gloucester Road

Wanchai, Hong Kong

Tel: (852) 2866 6999

Fax: (852) 2866 2822

(852) 2866 2833

### **Registrar and Transfer Office**

Secretaries Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

### **Website**

<http://www.chicheung.com>

### **Stock Code**

112

## CONTENTS

### **Results**

Condensed Consolidated Income Statement	1
Condensed Consolidated Balance Sheet	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Cash Flow Statement	4
Notes to the Condensed Consolidated Financial Statements	5
<b>Interim Dividend</b>	11
<b>Financial Review</b>	11
<b>Property Review</b>	12
<b>Post Balance Sheet Event</b>	13
<b>Prospects</b>	13
<b>Directors' and Chief Executives' Interests in the Securities of the Company</b>	13
<b>Substantial Shareholders' Interests in the Securities of the Company</b>	14
<b>Purchase, Sale or Redemption of the Company's Listed Securities</b>	15
<b>Audit Committee Review</b>	15
<b>Disclosure Requirements under Chapter 13 of the Listing Rules</b>	16
<b>Corporate Governance</b>	17
<b>Internal Control</b>	18
<b>Appreciation</b>	18

## RESULTS

The Board of Directors (the “Board”) of Chi Cheung Investment Company, Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2006 (the “Period”) together with the comparative figures for the corresponding period last year as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

		Six months ended 30th June,	
	Notes	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	3	1,422	1,767
Cost of sales		<u>(638)</u>	<u>(659)</u>
Gross profit		784	1,108
Fair value changes on investment properties		10,800	2,500
Other operating income		7,321	5,531
Administrative expenses		(2,188)	(2,848)
Other operating expenses		(38)	–
Share of results of associates	4	27,205	75,741
Finance costs	5	<u>(29)</u>	<u>(1,050)</u>
Profit before taxation	6	43,855	80,982
Taxation	7	<u>(2,149)</u>	<u>(765)</u>
Profit for the period		<u>41,706</u>	<u>80,217</u>
Attributable to:			
Equity holders of the Company		41,735	81,267
Minority interests		<u>(29)</u>	<u>(1,050)</u>
		<u>41,706</u>	<u>80,217</u>
Earnings per share			
Basic	8	<u>12.32 cents</u>	<u>24.72 cents</u>
Interim dividend per share		<u>–</u>	<u>–</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	<i>Notes</i>	<b>30th June, 2006 HK\$'000 (Unaudited)</b>	31st December, 2005 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	9	64,750	53,950
Property and other fixed assets		222	240
Properties held for development	10	42,863	23,901
Prepaid lease payments		9,683	9,700
Interests in associates	11	272,441	246,345
Advances to associates	11	122,629	124,756
Other asset		270	270
		<u>512,858</u>	<u>459,162</u>
<b>Current assets</b>			
Properties held for sale		28,796	28,796
Debtors, deposits and prepayments	12	658	768
Taxation recoverable		6	6
Bank balances and cash		175,012	195,130
		<u>204,472</u>	<u>224,700</u>
<b>Current liabilities</b>			
Creditors and accruals	13	5,315	7,245
Provision for a litigation claim		–	8,427
Taxation payable		1,671	7
		<u>6,986</u>	<u>15,679</u>
<b>Net current assets</b>		<u>197,486</u>	<u>209,021</u>
<b>Total assets less current liabilities</b>		<u>710,344</u>	<u>668,183</u>
<b>Non-current liabilities</b>			
Loans from minority shareholders of subsidiaries	14	994	965
Advance from an associate	15	–	59
Deferred taxation liabilities		1,495	1,010
		<u>2,489</u>	<u>2,034</u>
<b>Total assets and liabilities</b>		<u>707,855</u>	<u>666,149</u>
<b>Capital and reserves</b>			
Share capital	16	3,388	3,388
Reserves		705,461	663,726
<b>Equity attributable to equity holders of the Company</b>		<u>708,849</u>	<u>667,114</u>
<b>Minority interests</b>		<u>(994)</u>	<u>(965)</u>
<b>Total equity</b>		<u>707,855</u>	<u>666,149</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2006

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Contribution from shareholders HK\$'000	Investment property revaluation reserve HK\$'000	Special capital reserve I & II HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January, 2005									
As originally stated	2,823	442,917	104,225	54,934	54,720	(167,738)	491,881	(40,312)	451,569
Effects of changes in accounting policies upon application of HKAS 39 & 40	-	-	-	(54,934)	-	55,841	907	2,219	3,126
At 1st January, 2005 (restated)	2,823	442,917	104,225	-	54,720	(111,897)	492,788	(38,093)	454,695
Profit for the period and total recognised income for the period	-	-	-	-	-	81,267	81,267	(1,050)	80,217
Amount received from share placing	565	53,072	-	-	-	-	53,637	-	53,637
Issue cost on share placing	-	(829)	-	-	-	-	(829)	-	(829)
At 30th June, 2005	3,388	495,160	104,225	-	54,720	(30,630)	626,863	(39,143)	587,720
Profit for the period and total recognised income for the period	-	-	-	-	-	40,251	40,251	(1,050)	39,201
Transfer upon issue of shares for share placing (Note)	-	-	-	-	(54,720)	54,720	-	-	-
Write off of loans from minority shareholders upon voluntary winding-up of certain subsidiaries	-	-	-	-	-	-	-	39,228	39,228
At 31st December, 2005 and 1st January, 2006	3,388	495,160	104,225	-	-	64,341	667,114	(965)	666,149
Profit for the period and total recognised income for the period	-	-	-	-	-	41,735	41,735	(29)	41,706
<b>At 30th June, 2006</b>	<b>3,388</b>	<b>495,160</b>	<b>104,225</b>	<b>-</b>	<b>-</b>	<b>106,076</b>	<b>708,849</b>	<b>(994)</b>	<b>707,855</b>

*Note:*

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 as part of capital reorganisation in Year 2003, provided that the amount credited to the Special Capital Reserve I & II arose by the capital reorganisation might be reduced by the amount of any increase in the paid-up share capital or the amount standing to the credit of the share premium account of the Company as the result of the payment up of shares by the receipt of the new consideration or capitalisation of distributable profit after 8th October, 2003, the effective date (the "effective date") for capital deduction.

The Company has increased its issued share capital and share premium account up to the requirement of the Order for reduction of the Special Capital Reserve I & II by the issue and allotment of shares for cash consideration from the effective date up to year ended 31st December, 2005. Accordingly, based on legal opinion, the total amount of HK\$54,720,000 standing to the credit of the Special Capital Reserve I & II can be totally reduced and transferred to the accumulated profits (losses) of the Company.

In the opinion of the directors of the Company, the Company has no reserves available for distribution as at 30th June, 2006 and 31st December, 2005.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2006

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(9,653)	(1,351)
Net cash (used in) generated from investing activities	(10,465)	17,501
Net proceeds from share placing	–	52,808
Net cash generated from financing activities other than share placing	–	320
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(20,118)	69,278
Cash and cash equivalents at beginning of the period	195,130	131,121
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	175,012	200,399
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	175,012	200,399
	<hr/>	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

### 1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the financial statements include applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

### 2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared on historical cost basis, except for certain properties, which are measured at fair values.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st December, 2005.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group for the current or prior accounting period are prepared and presented.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes to how the results and financial position are prepared and presented in the future.

HKAS 1 (Amendment)	Presentation of financial statements “Capital disclosures” <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.



### 3. Turnover and segment information

Turnover represents property rental income received and receivable.

#### Business segments

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

	Property development		Property leasing		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<u>-</u>	<u>-</u>	<u>1,422</u>	<u>1,767</u>	<u>1,422</u>	<u>1,767</u>
Segment result						
– Operating results before fair value changes on investment properties	(120)	1,110	6,235	2,719	6,115	3,829
– Fair value changes on investment properties	<u>-</u>	<u>-</u>	<u>10,800</u>	<u>2,500</u>	<u>10,800</u>	<u>2,500</u>
– Segment result after fair value changes on investment properties	<u>(120)</u>	<u>1,110</u>	<u>17,035</u>	<u>5,219</u>	<u>16,915</u>	<u>6,329</u>
Unallocated corporate expenses					(236)	(38)
Finance costs					(29)	(1,050)
Share of results of associates	-	-	27,205	75,741	<u>27,205</u>	<u>75,741</u>
Profit before taxation					43,855	80,982
Taxation	-	-	(2,149)	(765)	<u>(2,149)</u>	<u>(765)</u>
Profit for the period					<u>41,706</u>	<u>80,217</u>

#### Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China other than Hong Kong. The Group's turnover are all derived from Hong Kong in both periods.

### 4. Share of results of associates

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Operating results	2,448	2,557
Gain on disposal of properties	-	6,273
Fair value changes on investment properties	31,167	83,371
Less: deferred tax arose from fair value changes on investment properties	(5,455)	(14,590)
	25,712	68,781
Imputed interest expense relating to interest-free advance from a shareholder	(462)	(462)
Current tax	(331)	(1,408)
Other deferred tax	(162)	-
	<u>27,205</u>	<u>75,741</u>

**5. Finance costs**

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest expenses relating to interest-free loans from minority shareholders of certain subsidiaries	<u>29</u>	<u>1,050</u>

**6. Profit before taxation**

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments	994	660
Depreciation	17	27
Amortisation of prepaid lease payments	17	17
Impairment loss recognised in respect of rental receivables	38	–
Interest income	(6,411)	(3,269)
Impairment loss reversed in respect of an amount due from a former associate	–	(1,565)
Impairment loss reversed in respect of an amount due from an associate	(897)	(679)
Gross rental income from investment properties	(1,422)	(1,767)
Less: direct operating expenses from investment properties that generated rental income during the period	209	260
direct operating expenses from investment properties that did not generate rental income during the period	429	399
	<u>(784)</u>	<u>(1,108)</u>

**7. Taxation**

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
<i>Current tax</i>		
Hong Kong	1,664	–
<i>Deferred tax</i>	485	765
	<u>2,149</u>	<u>765</u>

**8. Basic earnings per share**

The calculation of the basic earnings per share is based on the profit attributable to the ordinary equity holders of the Company for the Period of approximately HK\$41,735,000 (period ended 30th June, 2005: of approximately HK\$81,267,000) and the weighted average number of 338,765,987 (period ended 30th June, 2005: 328,784,109) ordinary shares in issue during the Period.

The Company has no potential ordinary shares outstanding for both periods.

## 9. Investment properties

The investment properties of the Group were revalued at 30th June, 2006 by the directors of the Company (the “Directors”) on an open market value basis with reference to a review report of the Group’s properties, including the properties of the associates (the “Report”) prepared by independent professional properties surveyors. The Report was prepared on a similar basis as the valuation report of the Group as at 31st December, 2005. The Group recognised a fair value gain of approximately HK\$10.8 million in the income statement for the Period.

	<b>2006</b> <b>HK\$’000</b>
At 1st January	<b>53,950</b>
Fair value changes recognised in income statement	<b>10,800</b>
	<hr/>
At 30th June	<b>64,750</b>
	<hr/> <hr/>

## 10. Properties held for development

	<b>2006</b> <b>HK\$’000</b>
At 1st January	<b>23,901</b>
Addition	<b>18,962</b>
	<hr/>
At 30th June	<b>42,863</b>
	<hr/> <hr/>

## 11. Interests in associates/ Advances to associates

	<b>30th June,</b> <b>2006</b> <b>HK\$’000</b>	31st December, 2005 <i>HK\$’000</i>
<b>Interests in associates</b>		
Cost of investments in associates		
– Incorporated and unlisted in Hong Kong	<b>103,252</b>	103,252
Share of post-acquisition profits, net of dividends received ( <i>Note i</i> )	<b>169,189</b>	143,093
	<hr/>	<hr/>
	<b>272,441</b>	246,345
	<hr/> <hr/>	<hr/> <hr/>
<b>Advances to associates</b>		
Interest-bearing advances to associates ( <i>Note ii</i> )	<b>93,411</b>	96,028
Interest-free advances to associates, net of allowances ( <i>Note iii</i> )	<b>29,218</b>	28,728
	<hr/>	<hr/>
	<b>122,629</b>	124,756
	<hr/> <hr/>	<hr/> <hr/>

## 11. Interests in associates/ Advances to associates (cont'd)

Notes:

- (i) The investment properties of the associates were revalued at 30th June, 2006 by the Directors on an open market value basis with reference to the Report prepared by independent professional properties surveyors. The Report was prepared on a similar basis as the valuation report of the Group as at 31st December, 2005. The Group recognised its interest in the fair value gain on the investment properties of the associates of HK\$25.7 million (net of deferred tax impact of HK\$5.5 million) as at 30th June, 2006. Details are set out in Note 4.
- (ii) Except for the amount of HK\$9.5 million (31st December, 2005: HK\$9.5 million) which bears interest at 6.75% (31st December, 2005: 6.75%), the remaining balances of interest-bearing advances to associates bear interest at Prime minus 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. The Directors consider that the carrying amounts of the advances to associates approximate to their fair values.
- (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. The Directors estimate the fair value of the advances by discounting their future cash flow at the prevailing market borrowing rate. The Directors consider that the carrying amounts of the advances to associates approximate to their fair values.

## 12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK\$4,000 (31st December, 2005: HK\$68,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings.

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

	<b>30th June, 2006</b>	31st December, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4	14
31-60 days	-	12
Over 60 days	-	42
	<u>4</u>	<u>68</u>

## 13. Creditors and accruals

There were no trade payables included in creditors and accruals as at 30th June, 2006 and 31st December, 2005.

## 14. Loans from minority shareholders of subsidiaries

The loans are unsecured, non-interest bearing. The Directors consider that the minority shareholders will not demand for repayment within one year from the balance sheet date and are therefore shown in the balance sheet as non-current. The Directors estimate the fair value of the loans by discounting their future cash flow at the prevailing market borrowing rate and consider that the carrying amounts of the Group's loans from minority shareholders of subsidiaries approximate to their fair values.

## 15. Advance from an associate

The amount is unsecured, non-interest bearing. The Directors consider that the associate will not demand for repayment within one year from the balance sheet date and is therefore shown in the balance sheet as non-current. The Directors consider that the carrying amount of the Group's advance from an associate approximates to its fair value.

## 16. Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2005 and 30th June, 2006	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31st December, 2005 and 30th June, 2006	<u>338,765,987</u>	<u>3,388</u>

## 17. Capital commitments

	30th June, 2006 <i>HK\$'000</i>	31st December, 2005 <i>HK\$'000</i>
Commitments in respect of development expenditure of properties held for development contracted for but not provided in the financial statements	<u>7,437</u>	<u>–</u>

## 18. Related party transactions

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

	Six months ended 30th June, 2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Rental paid to a fellow subsidiary ( <i>Note i</i> )	37	29
Interest income on advances to associates ( <i>Note ii</i> )	2,401	1,404
Imputed interest income relating to interest-free advance to an associate	<u>462</u>	<u>462</u>

*Notes:*

- (i) During the Period, the Company renewed the sub-lease agreement with Chinese Estates, Limited (“CEL”), a wholly-owned subsidiary of Chinese Estates Holdings Limited. Pursuant to the renewed sub-lease agreement, CEL sub-leases the office premises at Room 103, 1st Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong to the Company for the period from 1st March, 2006 to 31st December, 2007 at a monthly rental of HK\$6,881.

This related party transaction also constitutes continuing connected transaction de-minimis transaction, as defined in the Listing Rules.

- (ii) Interest was charged on outstanding balance during the periods at 6.75% and Prime minus 2.75%.

## 19. Post balance sheet event

On 20th June, 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property for a consideration of HK\$5,500,000. The disposal was completed on 11th July, 2006 and did not result in any significant gain or loss on disposal.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the Period (period ended 30th June, 2005: Nil).

## **FINANCIAL REVIEW**

### **Results**

Turnover for the Period amounted to HK\$1.4 million (period ended 30th June, 2005: HK\$1.8 million), representing a drop of 22.2%. Gross profit for the Period recorded at HK\$0.8 million, decreased by HK\$0.3 million or 27.3% compared with the corresponding period last year. The fall was due to the drop in occupancy rate resulted from the building extension project being carried out at Gemstar Tower.

Fair value changes on investment properties for the Period increased by 3.3 times to HK\$10.8 million as compared with HK\$2.5 million recorded for the same period last year.

Share of the results of associates for the Period amounted to HK\$27.2 million (period ended 30th June, 2005: HK\$75.7 million), down 64.1% from the same period last year, this result reflected relatively slow down of the increase in the fair value gain on investment properties of the associates for the Period. The Company shared from the associates an increase in fair value on investment properties of HK\$25.7 million, net of deferred tax impact of HK\$5.5 million (period ended 30th June, 2005: HK\$68.8 million, net of deferred tax impact of HK\$14.6 million). No properties disposal was recorded by the associates for the Period while the Company shared gain on disposal of investment properties from an associate of HK\$6.3 million in the first half of 2005.

Profit attributable to ordinary equity holders of the Company for the Period was HK\$41.7 million, dropped 48.7% from HK\$81.3 million recorded in the same period last year.

### **Net Asset Value**

As at 30th June, 2006, the Group's net assets increased by 6.3% to HK\$707.9 million (31st December, 2005: HK\$666.1 million). Net asset value per share was HK\$2.09 (31st December, 2005: HK\$1.97). Net assets attributable to equity holders of the Company amounted to HK\$708.8 million (31st December, 2005: HK\$667.1 million).

### **Debt and Gearing**

The Group maintained a strong capital and cash position for the Period. As at 30th June, 2006, cash and bank balances amounted to HK\$175 million (31st December, 2005: HK\$195.1 million). The Group did not have any bank borrowings (31st December, 2005: Nil). The majority of the Group's income for the Period was denominated in Hong Kong dollars and no hedging for non-Hong Kong dollars assets or investments have been made during the Period.

### **Pledge of Assets**

As at 30th June, 2006, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

### **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 30th June, 2006.

## **FINANCIAL REVIEW** (cont'd)

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

Interest income for the Period increased to HK\$6.4 million (period ended 30th June, 2005: HK\$3.3 million) which included an imputed interest income of HK\$0.5 million (period ended 30th June, 2005: HK\$0.5 million). The Group recorded an imputed interest expense relating to interest-free loans from minority shareholders of subsidiaries of HK\$0.03 million (period ended 30th June, 2005: HK\$1 million).

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

During the Period, the Group employed a total of 10 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**

### **Property Development**

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

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

Gemstar Tower, Hung Hom (100%) – The property is a 17-storey godown building. On 20th June, 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of a godown unit. The disposal was completed on 11th July, 2006. As at 30th June, 2006, 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, 2006, the occupancy rate of godown was 13.97%. Extension works for the addition of 2 godown storeys above the top floor were commenced in May 2005 and scheduled to be completed in the third quarter of 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 (50%) – 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, 2006, the two office floors were fully let.

No. 1 Hung To Road, Kwun Tong (33 $\frac{1}{3}$ %) – The property is a 33-storey industrial building. The Group has interests in various portions on various floors with a total gross floor area of approximately 545,581 square feet and 77 carparking spaces as at 30th June, 2006.

## **POST BALANCE SHEET EVENT**

### **Disposal of an Investment Property**

On 20th June, 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property for a consideration of HK\$5,500,000. The disposal was completed on 11th July, 2006 and did not result in any significant gain or loss on disposal.

## **PROSPECTS**

With increasing economic activities and continued development, Hong Kong economy is gaining strength. Benefiting from global economic growth and sustained local recovery in consumer confidence, it is anticipated that the overall local property market will show further improvement. The economic outlook is positive.

The Group maintained a strong cash position during the Period with cash and deposit at bank amounting to approximately HK\$175 million. With the soon completion of extension works in Gemstar Tower which shall enhance the existing property portfolio, the Group will continue its policy to focus on local property market. The Group is well positioned for future business expansion and is confident in the medium to long term prospects.

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

As at 30th June, 2006, none of the Directors, chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or 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 under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the Period, 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 rights to subscribe for any securities of the Company or its associated corporations.



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

As at 30th June, 2006, so far as are known to the Directors, 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:

<b>Name</b>	<b>Number of Shares (ordinary share)</b>	<b>Capacity</b>	<b>Percentage of Issued Share Capital</b>
Billion Up Limited	209,931,186 <i>(note 1)</i>	Beneficial Owner	61.96%
Lucky Years Ltd.	209,931,186 <i>(note 1)</i>	Interest in Controlled Corporation	61.96%
Chinese Estates Holdings Limited ("Chinese Estates")	209,931,186 <i>(note 1)</i>	Interest in Controlled Corporation	61.96%
Joseph Lau, Luen-hung	209,931,186 <i>(note 2)</i>	Interest in Controlled Corporation	61.96%
Global King Ltd.	209,931,186 <i>(note 3)</i>	Trustee	61.96%
GZ Trust Corporation	209,931,186 <i>(note 3)</i>	Trustee and Beneficiary of a Trust	61.96%
Li Ka-shing	20,833,142 <i>(notes 4 &amp; 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 &amp; 5)</i>	Trustee and Beneficiary of a Trust	6.15%
Li Ka-Shing Unity Trustee Corporation Limited	20,833,142 <i>(notes 4 &amp; 5)</i>	Trustee and Beneficiary of a Trust	6.15%
Li Ka-Shing Unity Trustee Company Limited	20,833,142 <i>(notes 4 &amp; 5)</i>	Trustee	6.15%
Cheung Kong (Holdings) Limited	20,833,142 <i>(notes 4 &amp; 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%

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

### *Notes:*

1. 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.
2. Mr. Joseph Lau, Luen-hung, by virtue of his 54.44% interest in the issued share capital of Chinese Estates, was deemed to be interested in the same interests stated against Chinese Estates.
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, 2006, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

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

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

## **AUDIT COMMITTEE REVIEW**

The interim results for the Period are unaudited and not reviewed by the auditors of the Company. The audit committee of the Company (the "Audit Committee"), comprised all the Independent Non-executive Directors of the Company (the "INED"), 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, 2006, the Group had made advances to associated companies of approximately HK\$193 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.

Pursuant to Rule 13.20 of the Listing Rules, the Company discloses details of the loans advanced to the entities as at 30th June, 2006 as below:

Name of associated companies	Attributable interest held by the Group %	Interest rates %	Interest-bearing HK\$'000	Non-interest bearing HK\$'000	Total advances HK\$'000
Finedale Industries Limited	33 <sup>1</sup> / <sub>3</sub>	Prime – 2.75	83,911	–	83,911
Canaria Holding Limited	50	N/A	–	46,894	46,894
Tianjin Winson Real Estate Development Co., Ltd.	50	N/A	–	52,675	52,675
Earn Elite Development Limited	50	6.75	9,500	–	9,500
			<u>93,411</u>	<u>99,569</u>	<u>192,980</u>

### Proforma Combined Balance Sheet of the Affiliated Companies

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of the affiliated companies with financial assistance from the Group as at 30th June, 2006 (the latest practicable date) is presented below:

	(Note) Combined total HK\$'000	Interest attributable to the Group HK\$'000
Non-current assets	1,108,504	385,919
Current assets	17,429	6,773
Current liabilities	(30,275)	(10,688)
Non-current liabilities	<u>(593,983)</u>	<u>(236,699)</u>
Net assets	<u>501,675</u>	<u>145,305</u>

*Note:* Proforma combined balance sheet has been adjusted so as to align with the Group's accounting policies.

## CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our 2005 Annual Report, we reported that the Company had adopted the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices, save for the deviations specified and explained therein.

The Board believed that the Company has applied the principles and complied with the code provisions throughout the Period except that:

1. the INED 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.

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 set out in the Listing Rules.

With effect from 29th March, 2006, Mr. Matthew Cheong, Veng-va ("Mr. Cheong") has been appointed as the Chairman and Executive Director of the Company and Ms. Teresa Poon, Mun-chie ("Ms. Poon") has been appointed as the Chief Executive Officer and Executive Director of the Company in replacement of Mr. Thomas Lau, Luen-hung and Mr. Joseph Lau, Luen-hung respectively. Both Mr. Cheong and Ms. Poon retired and were re-elected to hold the said offices at the Company's annual general meeting held on 1st June, 2006.

The Audit Committee has been established since 2000 with the role to assist the Board in providing an independent review of the accounts and the internal control system. All the Audit Committee members, appointed from the INED, possess diversified industry experience and the chairman has appropriate professional qualification, or accounting, or related financial management expertise as required by The Stock Exchange of Hong Kong Limited, who are Mr. Wang, Jian-guo ("Mr. Wang"), Mr. Mok, Hon-sang ("Mr. Mok") and Mr. Wong, Tik-tung ("Mr. Wong").

The Remuneration Committee of the Company comprised all the INED, Mr. Wang, Mr. Mok and Mr. Wong, was established with specific written terms of reference in accordance with the requirements of the code provisions. The Executive Directors are not entitled to any emoluments. The INED are not entitled to any other emoluments for holding office as the INED except for their entitlement of an annual remuneration of HK\$120,000 determined by the Board subject to annual review with reference to the prevailing market condition.

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 the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that 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 throughout the Period.

## **INTERNAL CONTROL**

The Board has responsibility for the effectiveness of the internal controls of the Group and delegates such responsibility to the Audit Committee. The Audit Committee reviews the internal control systems covering all major operations on a continuous basis.

During the interim reporting period, the Audit Committee has reviewed the systems of internal control of the Group and has reported to the Board addressing the works and findings. The Board is generally satisfied with the adequacy of the internal control systems of the Group.

## **APPRECIATION**

I would like to take this opportunity to thank our shareholders for their continuous support and my fellow Directors and staff for their contributions to the Group.

On behalf of the Board  
**Matthew Cheong, Veng-va**  
*Chairman*

Hong Kong, 8th August, 2006