

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 31 December 2006.

INTERIM RESULTS

For the six months ended 31 December 2006, the turnover of the Group totalled HK\$87,921,000 as compared with HK\$107,992,000 for the last corresponding period. Despite the drop of turnover which was mainly due to the fact that most of the sales proceeds of commercial apartments in Beijing were accounted for in the last corresponding period, the gross profit of the Group for the period was HK\$36,181,000, as compared with HK\$32,336,000 for the last corresponding period. The profit of the Group for the period amounted to HK\$14,407,000 as compared with HK\$143,796,000 for the last corresponding period, during which a capital gain of HK\$126,000,000 on the disposal of properties in a cargo centre in Hong Kong was recorded. Earnings per share were 6.12 Hong Kong cents as compared to 6.54 Hong Kong cents for the last corresponding period excluding the effect of capital gain.

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 3 Hong Kong cents (2005: 2 Hong Kong cents) per share for the six months ended 31 December 2006 to all shareholders whose names appear on the register of members of the Company on 20 April 2007. The dividend warrants are expected to be despatched to those entitled on or about 4 May 2007.

BUSINESS REVIEW

During the period under review, the Group entered into an interim period of consolidation and adjustment after a series of acquisition and disposal activities during the 2005–2006 financial year, in which the Group had strategically converted its major Hong Kong Dollar assets into RMB-based assets. In September 2006, the high-quality office units of 14 storeys situated in Eton Place in Shanghai were duly delivered to the Group with annual gross rental yield of 8% guaranteed by the vendor for the next three years.



Management Statement *(Continued)*

BUSINESS REVIEW *(Continued)*

During this period, attention of the management of the Group had been focused on the leasing of the Group's properties in the "Uptown" shopping mall in Beijing as well as the office spaces at Eton Place in Shanghai with the aim to achieving target rental. Overall, progress of leasing had been satisfactory with about 80% of the floor spaces in the shopping mall and most office spaces in Eton Place having been taken up on schedule.

Port operations at Tung Kok Tau continued on a reducing scale in preparation for preliminary redevelopment. The initial hearing of the international arbitration as to the disputes over the equity interests in the relevant joint venture was held.

FINANCIAL REVIEW

Financial Resources and Liquidity

The financial position of the Group remains sound and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner. At 31 December 2006, the equity attributable to equity holders of the parent amounted to HK\$1,062,634,000 (30 June 2006: HK\$1,026,627,000) with net asset value per share of HK\$4.85 (30 June 2006: HK\$4.69). Total borrowings of the Group were secured in the amount of about HK\$395,500,000 (30 June 2006: nil) as at 31 December 2006, which were in Hong Kong dollars and repayable within 5 years on floating rate basis. As at 31 December 2006, the gearing ratio of the Group was about 30% (30 June 2006: nil) based on the Group's net debt (after deducting bank balance and cash) to its equity attributable to equity holders of the parent. With sufficient cashflow in the period, the Group maintained un-utilised credit facilities of HK\$11,000,000 (30 June 2006: HK\$11,000,000) as working capital at floating interest rate as at 31 December 2006.

In the period, sufficient cashflow was generated by sales proceeds of properties in Beijing, rental income of office areas in Shanghai as well as revenue of port operations in Shenzhen. As at 31 December 2006, the Group's bank balances and cash stood at HK\$76,562,000 (30 June 2006: HK\$97,736,000) denominated primarily in Renminbi yuans and Hong Kong dollars. No significant exposure to foreign currency fluctuations affected the Group in the period under review, other than appreciation effect of Renminbi yuans on income and properties of the Group, which were all in Renminbi yuans. No financial instruments were used for hedging purpose.

Management Statement *(Continued)*

FINANCIAL REVIEW *(Continued)*

Financial Resources and Liquidity *(Continued)*

The funding requirement for redevelopment of Tung Kok Tau is intended to be financed by internal resources, bank borrowings and such other means of financing as the Directors may deem expedient.

Charges on Assets and Contingent Liabilities

As at 31 December 2006, the Group pledged its properties with a total carrying value of HK\$873,919,000 (30 June 2006: nil) to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$20,328,000 (30 June 2006: HK\$16,804,000) to banks to secure mortgage bank loans granted to the home buyers. The Group has given guarantees in respect of the settlement of home loans provided by banks to the home buyers of a property project in the PRC. At 31 December 2006, the Group had a maximum amount of such home loans which were subject to these guarantees of HK\$375,110,000 (30 June 2006: HK\$402,216,000). And these guarantees given by the Group has been accounted as financial guarantee contracts in the condensed consolidated balance sheet pursuant to the adoption of HKAS 39 and HKFRS 4 (Amendment) “Financial guarantee contracts”.

EMPLOYEES

At 31 December 2006, the Group had about 120 employees in Hong Kong and Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

PROSPECTS

Various actions taken by the Central Government to cool down the overheated residential property markets in China seem to have little effect on the commercial segment, which together with the continual appreciation of the RMB over the past months, reinforces the Group’s strategy in RMB-based assets. As both floor spaces in the “Uptown” shopping mall in Beijing and the office units at the Eton Place are being filled up, they will generate steady rental earnings for the Group. At the same time, the Group continues to look for suitable sites for development in the major cities of China.



Management Statement *(Continued)*

PROSPECTS *(Continued)*

With Western Corridor being scheduled to open in July this year, Tung Kok Tau in Shekou will only be ten minutes away from Hong Kong. The Group will continue to negotiate with the relevant government authorities to streamline re-zoning and re-planning of the site in Tung Kok Tau for betterment of redevelopment value. Meanwhile, although the arbitration proceedings on disputes over equity interests in the relevant joint venture may take time to obtain an arbitration award, the Group will continue to put every effort to resolve the disputes.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 April 2007 to Friday, 20 April 2007, 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 Friday, 13 April 2007.

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

As at 31 December 2006, the interests of the Directors 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. PASCUAL Ramon Sy	80,000	—	0.04%

Management Statement *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES *(Continued)*

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 31 December 2006; or would require, 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 (the "Stock Exchange").

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, 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:

Name of shareholder	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
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 31 December 2006.



Management Statement *(Continued)*

CORPORATE GOVERNANCE

The Company has applied the principles and has complied with the code provisions in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange for the six months ended 31 December 2006, save for the deviation from CG Code B.1.1 which stipulates that a majority of the members of the remuneration committee should be Independent Non-executive Directors.

During the period from 16 December 2006 to 31 December 2006, a majority of the members of the remuneration committee of the Company was not composed of a majority of Independent Non-executive Directors. Additionally, during the same period, the number of Independent Non-executive Directors and the members of audit committee of the Company fell below the minimum of three as required under rules 3.10(1) and 3.21 of the Listing Rules, respectively.

With effect from 1 January 2007, the Company has appointed Ms. SALAZAR Lourdes Apostol as an Independent Non-executive Director, a member of the audit committee and a member of the remuneration committee of the Company, and hence the Company has been in compliance with the above CG Code and the Listing Rules, respectively.

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 for the six months ended 31 December 2006.

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.



Management Statement *(Continued)*

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting practices and principles adopted by the Group and discussed with the management as to auditing, internal control and financial reporting matters including the review of these unaudited interim report for the six months ended 31 December 2006.

APPRECIATION

During the period, Mr. MAK Kwai Wing, Alexander resigned as an Independent Non-executive Director of the Company. The Board of Directors would like to express its sincere gratitude to him for his valuable contributions to the Group during his tenure.

By Order of the Board



CHAN Wing Kit, Frank
Director and Chief Executive Officer

Hong Kong, 23 March 2007

