



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, 2007

CORPORATE INFORMATION

Directors

Executive Directors:

Matthew Cheong, Veng-va (*Chairman*)
Teresa Poon, Mun-chie (*Chief Executive Officer*)

Independent Non-executive Directors:

Lai, Yun-hung
Mok, Hon-sang
Wong, Tik-tung

Audit Committee

Lai, Yun-hung
Mok, Hon-sang
Wong, Tik-tung

Remuneration Committee

Lai, Yun-hung
Mok, Hon-sang
Wong, Tik-tung

Company Secretary

Lam, Kwong-wai

Qualified Accountant

Lam, Kwong-wai

Solicitors

Sit, Fung, Kwong & Shum

Auditors

HLB Hodgson Impey Cheng

Principal Bankers

Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Registered Office

26th Floor, MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Registrar and Transfer Office

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

Website

<http://www.chicheung.com>

Stock Code

112

Board Lot

2,000 Shares

Investor Relations

For enquiries relating to investor relations,
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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, 2007 (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, 2007

		Six months ended 30th June,	
		2007	2006
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	13,720	1,422
Cost of sales		(7,110)	(638)
Gross profit		6,610	784
Other revenue	4	6,492	5,962
Other income		561	462
Administrative expenses		(3,100)	(2,188)
Other operating expenses		–	(38)
Fair value changes on investment properties		1,811	10,800
Finance costs	5	(31)	(29)
Impairment loss recognised in respect of advances to associates		(204)	–
Write-back of allowance for amount due from an associate		–	897
Write-back of allowance for amounts due from former associates		976	–
Share of results of associates	6	35,466	27,205
Profit before taxation	7	48,581	43,855
Taxation	8	(1,248)	(2,149)
Profit for the period		47,333	41,706
Attributable to:			
Equity holders of the Company		47,364	41,735
Minority interests		(31)	(29)
		47,333	41,706
Earnings per share			
Basic and diluted	9	13.98 cents	12.32 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2007

	<i>Notes</i>	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	54,200	63,400
Property, plant and equipment		196	205
Prepaid lease payments		9,649	9,666
Interests in associates	11	363,908	329,152
Advances to associates	11	98,517	106,911
Available-for-sale financial asset		270	270
		<u>526,740</u>	<u>509,604</u>
Current assets			
Properties held for sale		72,159	78,483
Debtors, deposits and prepayments	12	2,765	672
Taxation recoverable		6	6
Cash and cash equivalents		216,391	187,900
		<u>291,321</u>	<u>267,061</u>
Current liabilities			
Creditors and accruals	13	4,661	8,886
Deposits received		286	3,276
Taxation payable		3,373	1,805
		<u>8,320</u>	<u>13,967</u>
Net current assets		<u>283,001</u>	<u>253,094</u>
Total assets less current liabilities		<u>809,741</u>	<u>762,698</u>
Non-current liabilities			
Loans from minority shareholders of subsidiaries	14	1,054	1,023
Deferred taxation liabilities		914	1,235
		<u>1,968</u>	<u>2,258</u>
Total assets and liabilities		<u>807,773</u>	<u>760,440</u>
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	3,388	3,388
Reserves		805,439	758,075
		<u>808,827</u>	<u>761,463</u>
Equity attributable to equity holders of the Company		<u>808,827</u>	<u>761,463</u>
Minority interests		<u>(1,054)</u>	<u>(1,023)</u>
Total equity		<u>807,773</u>	<u>760,440</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June, 2007*

	Attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Contribution from shareholders HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 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
At 30th June, 2006	3,388	495,160	104,225	106,076	708,849	(994)	707,855
Profit for the period and total recognised income for the period	–	–	–	52,614	52,614	(29)	52,585
At 31st December, 2006 and 1st January, 2007	3,388	495,160	104,225	158,690	761,463	(1,023)	760,440
Profit for the period and total recognised income for the period	–	–	–	47,364	47,364	(31)	47,333
At 30th June, 2007	3,388	495,160	104,225	206,054	808,827	(1,054)	807,773

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	8,429	(9,653)
Net cash generated from (used in) investing activities	20,062	(10,465)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	28,491	(20,118)
Cash and cash equivalents at beginning of the period	187,900	195,130
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	216,391	175,012
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Cash and cash equivalents	216,391	175,012
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

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 under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period, the new HKFRSs adopted by the Group are set out as follows:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the above new HKFRSs has no material impact on the accounting policies and the results and financial position of the Group.

The Group has not early adopted 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 in the future as to how the results and financial position are prepared and presented.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

3. Segment information

Business segments

For management purposes, the Group is currently organised into two operating divisions – property development and property leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property development	–	Property development and sales of properties
Property leasing	–	Property rental

Segment information about these businesses is presented below:

	Property development		Property leasing		Consolidated	
	Six months ended 30th June, 2007		Six months ended 30th June, 2006		Six months ended 30th June, 2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<u>12,384</u>	<u>–</u>	<u>1,336</u>	<u>1,422</u>	<u>13,720</u>	<u>1,422</u>
Segment result						
– Operating results before fair value changes on investment properties	<u>5,681</u>	<u>(120)</u>	<u>3,016</u>	<u>5,338</u>	<u>8,697</u>	<u>5,218</u>
– Fair value changes on investment properties	<u>–</u>	<u>–</u>	<u>1,811</u>	<u>10,800</u>	<u>1,811</u>	<u>10,800</u>
– Segment result after fair value changes on investment properties	<u>5,681</u>	<u>(120)</u>	<u>4,827</u>	<u>16,138</u>	<u>10,508</u>	<u>16,018</u>
Unallocated corporate income					<u>4,437</u>	<u>–</u>
Unallocated corporate expenses					<u>(2,571)</u>	<u>(236)</u>
Finance costs					<u>(31)</u>	<u>(29)</u>
Impairment loss recognised in respect of advances to associates	<u>–</u>	<u>–</u>	<u>(204)</u>	<u>–</u>	<u>(204)</u>	<u>–</u>
Write-back of allowance for amount due from an associate	<u>–</u>	<u>–</u>	<u>–</u>	<u>897</u>	<u>–</u>	<u>897</u>
Write-back of allowance for amounts due from former associates	<u>603</u>	<u>–</u>	<u>373</u>	<u>–</u>	<u>976</u>	<u>–</u>
Share of results of associates	<u>–</u>	<u>–</u>	<u>35,466</u>	<u>27,205</u>	<u>35,466</u>	<u>27,205</u>
Profit before taxation					<u>48,581</u>	<u>43,855</u>
Taxation					<u>(1,248)</u>	<u>(2,149)</u>
Profit for the period					<u>47,333</u>	<u>41,706</u>

Geographical segments

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

4. Turnover and other revenue

Turnover represents the aggregate amounts received and receivable, analysed as follows:

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
Property rental income	1,336	1,422
Sales of properties	12,384	–
	<u>13,720</u>	<u>1,422</u>
Other revenue		
Interest income from bank deposits	4,079	3,547
Interest income on advances to associates	2,139	2,402
Sundry income	274	13
	<u>6,492</u>	<u>5,962</u>

5. Finance costs

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Imputed interest expense relating to interest-free loans from minority shareholders of subsidiaries	<u>31</u>	<u>29</u>

6. Share of results of associates

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Operating income	5,157	2,448
Gain on disposal of properties	1,176	–
Fair value changes on investment properties	36,608	31,167
Less: deferred tax arose from fair value changes on investment properties	(6,407)	(5,455)
	<u>30,201</u>	<u>25,712</u>
Imputed interest expense relating to interest-free advance from shareholder	–	(462)
Current tax	(1,449)	(331)
Other deferred tax	381	(162)
	<u>35,466</u>	<u>27,205</u>

7. Profit before taxation

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Profit before taxation is stated after charging:		
Depreciation	9	17
Amortisation of prepaid lease payments	17	17
Staff costs (excluding directors' remuneration)		
– salaries and allowances	1,602	777
– retirement benefit costs	74	37
Impairment loss recognised in respect of trade receivables	–	38
	<u> </u>	<u> </u>
and after crediting:		
Imputed interest income relating to interest-free advance to an associate	471	462
Gain on disposal of investment properties	86	–
Exchange gain	4	–
	<u> </u>	<u> </u>
Gross rental income from properties	(1,336)	(1,422)
Less: direct operating expenses from properties that generated rental income during the period	153	209
direct operating expenses from properties that did not generate rental income during the period	610	429
	<u> </u>	<u> </u>
	(573)	(784)

8. Taxation

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Current tax – Hong Kong	1,568	1,664
Deferred tax	(320)	485
	<u> </u>	<u> </u>
	1,248	2,149

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both periods. Taxation in any other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. 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 HK\$47,364,000 (period ended 30th June, 2006: HK\$41,735,000) and the weighted average number of 338,765,987 (period ended 30th June, 2006: 338,765,987) ordinary shares in issue during the Period.

For the periods ended 30th June, 2007 and 30th June, 2006, diluted earnings per share has been presented even though there were no diluting events during these periods.

10. Investment properties

The investment properties of the Group were revalued at 30th June, 2007 by the directors of the Company on an open market value basis with reference to a review report of the Group's properties (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 2006. The net increase gave rise in fair value gain of approximately HK\$1.8 million which has been credited to the income statement for the Period.

	30th June, 2007 HK\$'000
At 1st January	63,400
Disposal	(11,011)
Fair value changes recognised in income statement	1,811
	<hr/>
At 30th June	54,200
	<hr/> <hr/>

11. Interests in associates/Advances to associates

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Interests in associates		
Cost of investments in associates		
– Unlisted in Hong Kong	103,252	103,252
Share of post-acquisition profits, net of dividends received (<i>Note ii</i>)	260,656	225,900
	<hr/>	<hr/>
	363,908	329,152
	<hr/> <hr/>	<hr/> <hr/>
Advances to associates		
Interest-bearing advances to associates (<i>Note iii</i>)	81,762	90,742
Interest-free advances to associates, net of allowances (<i>Note iv</i>)	100,707	99,979
	<hr/>	<hr/>
	182,469	190,721
Less: impairment loss recognised (<i>Note i</i>)	(83,952)	(83,810)
	<hr/>	<hr/>
	98,517	106,911
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The movements in provision for impairment loss recognised in respect of advances to associates are as follows:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Balance at beginning of period/year	83,810	71,249
Impairment loss recognised during the period/year	204	13,477
Amount due from an associate written off	(62)	(19)
Write-back of allowance for amount due from an associate	–	(897)
	<hr/>	<hr/>
Balance at the end of period/year	83,952	83,810
	<hr/> <hr/>	<hr/> <hr/>

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

Notes: (cont'd)

- (ii) The investment properties of the associates were revalued at 30th June, 2007 by the directors of the Company 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, 2006. The Group recognised its interest in the fair value gain on the investment properties of the associates of HK\$30.2 million (net of deferred tax impact of HK\$6.4 million) as at 30th June, 2007. Details are set out in Note 6.
- (iii) Except for the amount of HK\$9,500,000 (31st December, 2006: HK\$9,500,000) which bears interest at 6.75% (31st December, 2006: 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 assets. The directors of the Company consider that the carrying amount of advances to associates approximates to their fair values.
- (iv) The interest-free advances are unsecured and the Group will not demand repayment within one year from the balance sheet date and are therefore considered as non-current assets. The directors of the Company estimate the fair value of the interest-free advances by discounting their future cash flow at the market borrowing rate. The directors of the Company consider that the carrying amount of interest-free advances approximates to their fair values.

12. Debtors, deposits and prepayments

The directors of the Company consider that the carrying amount of the Group's trade debtors approximates to their fair values.

Included in debtors, deposits and prepayments are trade debtors of HK\$2,000 (31st December, 2006: HK\$2,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of bills. The following is an aged analysis of trade debtors at the balance sheet date:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Within 30 days	<u>2</u>	<u>2</u>

13. Creditors and accruals

There were no trade payables included in creditors and accruals of the Group as at 30th June, 2007 and 31st December, 2006.

The directors of the Company consider that the carrying amount of the Group's creditors and accruals approximates to their fair values.

14. Loans from minority shareholders of subsidiaries

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

15. Share capital

	Number of Shares	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2006 and 30th June, 2007	50,000,000,000	500,000
Issued and fully paid:		
At 31st December, 2006 and 30th June, 2007	338,765,987	3,388

16. Capital commitments

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Authorised and contracted for:		
Acquisition of 50% shareholding in and shareholder's loan due from Canaria Holding Limited and the loan due from Earn Elite Development Limited	10,300	–

17. Related party transactions

During the Period, the Group had the following material transactions with related parties:

	Six months ended 30th June, 2007 HK\$'000	2006 HK\$'000
Rental paid to a fellow subsidiary (<i>Note i</i>)	41	37
Interest income on advances to associates (<i>Note ii</i>)	2,139	2,402
Imputed interest income relating to interest-free advance to an associate	471	462

Notes:

- (i) Rental was paid to Chinese Estates, Limited, a wholly-owned subsidiary of Chinese Estates Holdings Limited at a monthly rental of HK\$6,881.
- (ii) Interest was charged on outstanding balance during the Period.

Details of the balances with related parties are set out in Note 11.

18. Post balance sheet event

After the Period under review, the Group entered into a sale and purchase agreement with an independent third party to dispose of two godown units of a property held for sale for a consideration of HK\$21.2 million. The disposal will be completed on or before 31st August, 2007.

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (period ended 30th June, 2006: Nil).

FINANCIAL REVIEW

Results

Turnover for the Period rose to HK\$13.7 million (period ended 30th June, 2006: HK\$1.4 million), representing an increase of 8.6 times over the same period last year. Gross profit increased to HK\$6.6 million compared to HK\$0.8 million in corresponding period in 2006. The improved results were due to disposal of trading development properties during the Period, which included certain units of Gemstar Tower and Meeco Industrial Building.

Fair value changes on investment properties for the Period amounted to HK\$1.8 million, down from HK\$10.8 million recorded in corresponding period in 2006.

Included in current period results were write-backs of allowance for impairment loss on amounts due from associates and former associates of HK\$1 million (period ended 30th June, 2006: write-backs of allowance of HK\$0.9 million).

Share of the results of associates for the Period recorded at HK\$35.5 million, up by HK\$8.3 million from HK\$27.2 million in corresponding period in 2006. This result reflected moderate increase in the fair value gain on investment properties held by the associates. The Group shared from associates an increase in fair value on investment properties, net of deferred tax impact, of HK\$30.2 million (period ended 30th June, 2006: HK\$25.7 million). During the Period, the Group shared gain on disposal of investment properties from an associate of HK\$1.2 million (period ended 30th June, 2006: Nil).

Profit attributable to equity holders of the Company for the Period was HK\$47.4 million (period ended 30th June, 2006: HK\$41.7 million). Earnings per share for the Period recorded at HK13.98 cents (period ended 30th June, 2006: HK12.32 cents).

Net Asset Value

As at 30th June, 2007, net assets value attributable to equity holders of the Company amounted to HK\$808.8 million, representing an increase of HK\$47.3 million or 6.2% compared to HK\$761.5 million in preceding year. The increase was due to profit retained for the Period. Net asset value per share to equity holders of the Company was HK\$2.39 (31st December, 2006: HK\$2.25).

Debt and Gearing

The Group continued to maintain a strong capital and cash position for the Period. As at 30th June, 2007, cash and bank balances amounted to HK\$216.4 million (31st December, 2006: HK\$187.9 million). The Group did not have any bank borrowings (31st December, 2006: 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, 2007, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

FINANCIAL REVIEW (cont'd)

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30th June, 2007.

Financial and Interest Income/Expenses

Interest income for the Period increased to HK\$6.7 million (period ended 30th June, 2006: HK\$6.4 million). The Group recorded an imputed interest expense relating to interest-free loan from minority shareholders of subsidiaries of HK\$0.03 million (period ended 30th June, 2006: HK\$0.03 million).

Remuneration Policies and Share Option Scheme

During the Period, the Group employed a total of 12 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 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.

BUSINESS REVIEW

Investment Properties and Properties Held for Sale

Gemstar Tower, Hung Hom (100% interests) – The property is a 19-storey godown building. As at 30th June, 2007, the Group held 22 godown units on various floors with a total gross floor area of approximately 106,877 square feet and 53 carparking spaces. As at 30th June, 2007, the occupancy rate of godown was 4.54%.

Inter-Continental Plaza, Tsim Sha Tsui (50% interests) – 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, 2007, the occupancy rate of the two office floors was 80.69%.

No. 1 Hung To Road, Kwun Tong (33 $\frac{1}{3}$ % interests) – 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 541,048 square feet and 77 carparking spaces as at 30th June, 2007.

Cinema portion of Tuen Mun Centre (50% interests) – The property comprises two retail shop units and the two foyers of cinema on the Ground Floor, the whole of cinema portions on 1st, 2nd and 3rd Floors and the flat roof over the Cinema on 4th Floor. On 23rd March, 2007, subject to the fulfillment of the conditions precedent, the Group agreed to acquire, among others, the remained 50% interests of the property by means of acquisition of shareholding from the joint venture partner at the consideration of HK\$11.4 million. The transaction constituted a major transaction of the Company under the Listing Rules. Upon agreement with the joint venture partner, the completion of the transaction has been extended to 31st January, 2008.

POST BALANCE SHEET EVENT

Disposal of Properties Held for Sale

After the Period under review, the Group entered into a sale and purchase agreement with an independent third party to dispose of two godown units of a property held for sale for a consideration of HK\$21.2 million. The disposal will be completed on or before 31st August, 2007.

PROSPECTS

The Group anticipates that Hong Kong's long-term economic prospects remain positive and will continue to be benefited from the thriving global economy and Mainland China's growth momentum.

The Group's cash position remains stable during the Period with cash and deposit at bank amounting to approximately HK\$216.4 million as at 30th June, 2007. Looking forward, the Group will continue to focus on investing high quality properties and aims to optimise the rental income and properties occupancies.

DIRECTORS' AND CHIEF EXECUTIVE(S)' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2007, none of the directors or chief executive(s) of the Company 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 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 Listing Rules. During the Period, none of the directors or chief executive(s) 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, 2007, so far as are known to any director or chief executive of the Company, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of Shares (ordinary share)	Capacity	Percentage of Issued Share Capital
Billion Up Limited	209,931,186 (note 1)	Beneficial Owner	61.96%
Lucky Years Ltd.	209,931,186 (note 1)	Interests in Controlled Corporation	61.96%
Chinese Estates Holdings Limited	209,931,186 (note 1)	Interests in Controlled Corporation	61.96%

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

Name	Number of Shares (ordinary share)	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau, Luen-hung	209,931,186 (note 2)	Interests in Controlled Corporation	61.96%
Global King Ltd.	209,931,186 (note 3)	Trustee	61.96%
GZ Trust Corporation	209,931,186 (note 3)	Trustee and Beneficiary of a Trust	61.96%
Mr. Li Ka-shing	20,833,142 (notes 4 & 5)	Founder of Discretionary Trusts and Interest of Controlled Corporations	6.15%
Li Ka-Shing Unity Trustcorp Limited	20,833,142 (notes 4 & 5)	Trustee and Beneficiary of a Trust	6.15%
Li Ka-Shing Unity Trustee Corporation Limited	20,833,142 (notes 4 & 5)	Trustee and Beneficiary of a Trust	6.15%
Li Ka-Shing Unity Trustee Company Limited	20,833,142 (notes 4 & 5)	Trustee	6.15%
Cheung Kong (Holdings) Limited	20,833,142 (notes 4 & 5)	Interests of Controlled Corporations	6.15%
Hutchison Whampoa Limited	20,833,142 (note 4)	Interests of Controlled Corporations	6.15%
Hutchison International Limited	20,833,142 (note 4)	Interests of a Controlled Corporation	6.15%
Primetek Holdings Limited	20,833,142 (note 4)	Beneficial Owner	6.15%

Notes:

1. Billion Up Limited is a wholly-owned subsidiary of Lucky Years Ltd., which in turn is a wholly-owned subsidiary of Chinese Estates Holdings Limited ("Chinese Estates"). By virtue of the SFO, Lucky Years Ltd. and Chinese Estates were deemed to be interested in the 209,931,186 shares of the Company held by Billion Up Limited.
2. Mr. Joseph Lau, Luen-hung by virtue of his approximately 47.29% interests in the issued share capital of Chinese Estates, was deemed to be interested in the same interests stated against Chinese Estates under the SFO.

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

Notes: (cont'd)

3. GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King Ltd. is the trustee. Global King Ltd. is 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 by virtue of the SFO.
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, Mr. Li Ka-shing, being the settlor of DT1 and DT2 may be regarded as a founder of DT1 and DT2 and for the purpose of the SFO, each of Mr. Li Ka-shing, 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, 2007, 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 comprised all the Independent Non-executive Directors of the Company, 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, 2007, the Group had made advances to associated companies of approximately HK\$182 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, details of the loans advanced to the entities as at 30th June, 2007 were 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 1/3	Prime – 2.75	72,262	–	72,262
Canaria Holding Limited	50	N/A	–	48,109	48,109
Tianjin Winson Real Estate Development Co., Ltd.	50	N/A	–	52,598	52,598
Earn Elite Development Limited	50	6.75	9,500	–	9,500
			81,762	100,707	182,469
			81,762	100,707	182,469

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, 2007 (the latest practicable date) is presented below:

	(Note) Combined total HK\$'000	Interest attributable to the Group HK\$'000
Non-current assets	1,371,005	465,502
Current assets	19,556	7,654
Current liabilities	(36,373)	(12,760)
Non-current liabilities	(618,555)	(245,706)
	735,633	214,690
Net assets	735,633	214,690

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of interests of the shareholders and the Company as a whole. Since 2005, the Company has adopted the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (the “Code”) under Appendix 14 to the Listing Rules.

To ensure better compliance with the Code, relevant amendments to the Articles of Association were approved by shareholders at the annual general meeting held on 15th May, 2007 to provide that no director shall hold office for a continuous period in excess of 3 years, or past the third annual general meeting, following the director’s appointment or re-election, whichever is longer, without submitting himself for re-election at the annual general meeting. As a result, all the directors shall retire by rotation at least once every three years and a specific term of office has been fixed for appointment of all directors under the Articles of Association of the Company.

The Board believed that the Company has applied the principles in the Code and complied with the Code throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 is responsible for the effectiveness of the internal controls of the Group. The audit committee is responsible to assist the Board of Directors for reviews on the effectiveness of the internal control systems of the Group on 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 their works and findings. The Board is satisfied with the effectiveness 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, 2nd August, 2007