



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, 2008

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,
please contact:

Investor Relations Manager

Tel: (852) 2866 6999

Fax: (852) 2866 2822

(852) 2866 2833

E-mail: investor.relations@chineseestates.com

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
Interim Dividend	12
Financial Operation Review	12
Business Review	13
Post Balance Sheet Events	14
Prospects	14
Directors' and Chief Executive(s)' Interests in the Securities of the Company and Associated Corporations	14
Substantial Shareholders' Interests in the Securities of the Company	15
Purchase, Sale or Redemption of the Company's Listed Securities	16
Review by Audit Committee	16
Disclosure Requirements under Chapter 13 of the Listing Rules	17
Corporate Governance	18
Model Code for Securities Transactions	18
Internal Control	18
Appreciation	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, 2008 (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, 2008

		Six months ended 30th June,	
		2008	2007
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	4	46,096	13,720
Cost of sales		<u>(12,121)</u>	<u>(7,110)</u>
Gross profit		33,975	6,610
Other revenue	4	3,922	6,492
Other income		478	475
Administrative expenses		(3,514)	(3,100)
(Loss)/gain on disposals of investment properties		(1,727)	86
Fair value changes on investment properties		2,000	1,811
Finance costs	5	–	(31)
Impairment loss recognised in respect of advances to associates		(532)	(204)
Write-back of allowance for amounts due from former associates		256	976
Share of results of associates	6	<u>23,014</u>	<u>35,466</u>
Profit before taxation	7	57,872	48,581
Taxation	8	<u>(6,241)</u>	<u>(1,248)</u>
Profit for the period		<u>51,631</u>	<u>47,333</u>
Attributable to:			
Equity holders of the Company		51,631	47,364
Minority interest		<u>–</u>	<u>(31)</u>
		<u>51,631</u>	<u>47,333</u>
Earnings per share			
Basic and diluted	9	<u>15.24 cents</u>	<u>13.98 cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE, 2008**

	<i>Notes</i>	30th June, 2008 HK\$'000 (Unaudited)	31st December, 2007 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	52,900	57,450
Property, plant and equipment		177	186
Prepaid lease payments		9,616	9,633
Interests in associates	11	412,454	390,951
Advances to associates	11	87,839	93,391
Available-for-sale financial asset		270	270
		<u>563,256</u>	<u>551,881</u>
Current assets			
Properties held for sale		45,486	56,304
Debtors, deposits and prepayments	12	1,348	1,871
Advance to the ultimate holding company		–	695
Taxation recoverable		3	3
Cash and cash equivalents		332,365	274,224
		<u>379,202</u>	<u>333,097</u>
Current liabilities			
Creditors and accruals	13	3,777	6,148
Deposits received		4,802	2,837
Taxation payable		12,322	5,906
Loan from minority shareholder		1,084	1,084
		<u>21,985</u>	<u>15,975</u>
Net current assets		<u>357,217</u>	<u>317,122</u>
Total assets less current liabilities		<u>920,473</u>	<u>869,003</u>
Non-current liabilities			
Deferred taxation liabilities		810	964
Total assets and liabilities		<u>919,663</u>	<u>868,039</u>
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	3,388	3,388
Reserves		917,359	865,735
Equity attributable to equity holders of the Company		<u>920,747</u>	869,123
Minority interest		<u>(1,084)</u>	<u>(1,084)</u>
Total equity		<u>919,663</u>	<u>868,039</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

	Attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contribution from shareholders HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interest HK\$'000	
At 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
Exchange difference on translation of foreign operations	-	-	-	9	-	9	-	9
Profit for the period and total recognised income for the period	-	-	-	-	60,287	60,287	(30)	60,257
At 31st December, 2007 and 1st January, 2008	3,388	495,160	104,225	9	266,341	869,123	(1,084)	868,039
Exchange difference on translation of foreign operations	-	-	-	(7)	-	(7)	-	(7)
Profit for the period and total recognised income for the period	-	-	-	-	51,631	51,631	-	51,631
At 30th June, 2008	3,388	495,160	104,225	2	317,972	920,747	(1,084)	919,663

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	36,627	8,429
Net cash generated from investing activities	20,805	20,062
Net cash generated from financing activities	695	–
	<hr/>	<hr/>
Net increase in cash and cash equivalents	58,127	28,491
Effect of foreign exchange rate changes	14	–
Cash and cash equivalents at beginning of the period	274,224	187,900
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	332,365	216,391
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	332,365	216,391
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

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.

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

2. Significant accounting policies

The accounting policies adopted in the unaudited 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, 2007 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:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new HKFRSs has no material impact on 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 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ²

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

2. Effective for accounting periods beginning on or after 1st July, 2008.

3. Effective for accounting periods beginning on or after 1st July, 2009.

3. Segment information

Business segments

For management purposes, the Group is currently organised into three operating divisions – (i) property development; (ii) property leasing and (iii) securities investment and finance. 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
Securities investment and finance	–	Securities investment and financing activities

Segment information about these businesses is presented below:

	Property development		Property leasing		Securities investment and finance		Consolidated	
	Six months ended 30th June, 2008		Six months ended 30th June, 2007		Six months ended 30th June, 2008		Six months ended 30th June, 2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<u>44,703</u>	<u>12,384</u>	<u>1,393</u>	<u>1,336</u>	<u>–</u>	<u>–</u>	<u>46,096</u>	<u>13,720</u>
Segment result								
– Operating results before fair value changes on investment properties	33,234	5,681	(13)	3,016	(10)	–	33,211	8,697
– Fair value changes on investment properties	–	–	2,000	1,811	–	–	2,000	1,811
– Segment result after fair value changes on investment properties	<u>33,234</u>	<u>5,681</u>	<u>1,987</u>	<u>4,827</u>	<u>(10)</u>	<u>–</u>	<u>35,211</u>	<u>10,508</u>
Unallocated corporate income							2,936	4,437
Unallocated corporate expenses							(3,013)	(2,571)
Finance costs							–	(31)
Impairment loss recognised in respect of advances to associates	–	–	(532)	(204)	–	–	(532)	(204)
Write-back of allowance for amounts due from former associates	–	603	256	373	–	–	256	976
Share of results of associates	–	–	23,014	35,466	–	–	23,014	35,466
Profit before taxation							57,872	48,581
Taxation							(6,241)	(1,248)
Profit for the period							<u>51,631</u>	<u>47,333</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,	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
Property rental income	1,393	1,336
Sales of properties held for sale	44,703	12,384
	<u>46,096</u>	<u>13,720</u>
Other revenue		
Interest income from bank deposits	2,721	4,079
Interest income on advances to associates	1,200	2,139
Sundry income	1	274
	<u>3,922</u>	<u>6,492</u>

5. Finance costs

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Imputed interest expense relating to interest-free loan from minority shareholder	<u>-</u>	<u>31</u>

6. Share of results of associates

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Operating results	7,385	5,157
Gain on disposal of investment properties	588	1,176
Fair value changes on investment properties	14,773	36,608
Less: deferred tax arising from fair value changes on investment properties	(2,437)	(6,407)
	12,336	30,201
Current tax	(1,559)	(1,449)
Deferred tax released due to change of tax rate	3,889	-
Other deferred tax	375	381
	<u>23,014</u>	<u>35,466</u>

7. Profit before taxation

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Profit before taxation is stated after charging :		
Auditors' remuneration	222	172
Depreciation	9	9
Amortisation of prepaid lease payments	17	17
Staff costs (excluding directors' remuneration)		
– salaries and allowances	1,900	1,602
– retirement benefit costs	82	74
	<u>2,028</u>	<u>1,872</u>
and after crediting:		
Imputed interest income relating to interest-free advance to an associate	478	471
Exchange gain	–	4
	<u>478</u>	<u>475</u>
Gross rental income from properties	1,393	1,336
Less: direct operating expenses from properties that generated rental income during the period	(145)	(153)
direct operating expenses from properties that did not generate rental income during the period	(806)	(610)
	<u>442</u>	<u>573</u>

8. Taxation

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	5,629	1,568
– The PRC	766	–
	<u>6,395</u>	<u>1,568</u>
Deferred tax	(154)	(320)
	<u>6,241</u>	<u>1,248</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits. 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\$51,631,000 (period ended 30th June, 2007: HK\$47,364,000) and the weighted average number of 338,765,987 (period ended 30th June, 2007: 338,765,987) ordinary shares in issue during the Period.

For the periods ended 30th June, 2008 and 30th June, 2007, diluted earnings per share is the same as the basic earnings per share as there were no diluting events during these periods.

10. Investment properties

	30th June, 2008 HK\$'000
At 1st January	57,450
Disposals	(6,550)
Fair value changes recognised in income statement	<u>2,000</u>
At 30th June	<u><u>52,900</u></u>

The fair value of investment properties of the Group has been arrived at on the basis of valuation carried out as at 30th June, 2008 by independent qualified professional properties surveyors. The valuation report was prepared on a similar basis as the report of the Group as at 31st December 2007. The net increase gave rise in fair value gain of HK\$2 million which has been credited to the income statement for the Period.

11. Interests in associates/Advances to associates

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
(a) 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 (Note ii)	<u>309,202</u>	<u>287,699</u>
	<u><u>412,454</u></u>	<u><u>390,951</u></u>
(b) Advances to associates		
Interest-bearing advances to associates (Note iii)	70,389	76,206
Interest-free advance to an associate, net of allowance (Note iv)	<u>49,706</u>	<u>48,909</u>
	120,095	125,115
Less: impairment loss recognised (Note i)	<u>(32,256)</u>	<u>(31,724)</u>
	<u><u>87,839</u></u>	<u><u>93,391</u></u>

Notes:

- (i) The movements in provision for impairment loss recognised, which represents the difference between the carrying amounts of the advances to associates and the expected proceeds, are as follows:

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Balance at beginning of period/year	31,724	83,810
Impairment loss recognised during the period/year	532	573
Advances to associates written off	<u>–</u>	<u>(52,659)</u>
Balance at the end of period/year	<u><u>32,256</u></u>	<u><u>31,724</u></u>

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

Notes: (cont'd)

- (ii) The fair value of investment properties of the associates has been arrived at on the basis of valuation carried out as at 30th June, 2008 by independent qualified professional properties surveyors. The Group recognised its interest in the fair value gain on the investment properties of the associates of HK\$12.3 million (net of deferred tax impact of HK\$2.4 million) on that day. Details are set out in Note 6.
- (iii) Except for an amount of HK\$9.5 million (31st December, 2007: HK\$9.5 million) which bears interest at 6.75% (31st December, 2007: 6.75%), the remaining balance of interest-bearing advances to associates bears 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 of the Company consider that the carrying amounts of advances to associates approximate to their fair values.
- (iv) The interest-free advance is unsecured and the Group will not demand repayment within one year from the balance sheet date and is therefore considered as non-current. The directors of the Company estimate the fair value of the interest-free advance by discounting its future cash flow at the prevailing market borrowing rate. The directors of the Company consider that the carrying amount of interest-free advance approximates to its fair value.

12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK\$4,000 (31st December, 2007: HK\$2,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipt of bills.

The following is the aged analysis of trade debtors, net of impairment, at the balance sheet date:

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Within 30 days	<u>4</u>	<u>2</u>

The Group's trade debtors are balances with carrying amounts of HK\$4,000 (31st December, 2007: HK\$2,000) which are past due at the balance sheet date for which the Group has not provided impairment loss.

13. Creditors and accruals

There were no trade payables included in creditors and accruals as at 30th June, 2008 and 31st December, 2007.

14. Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2007 and 30th June, 2008	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31st December, 2007 and 30th June, 2008	<u>338,765,987</u>	<u>3,388</u>

15. Capital commitments

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Contracted but not provided for:		
Acquisition of 50% shareholding in and shareholder's loan due from Canaria Holding Limited and the loan due from Earn Elite Development Limited	<u> -</u>	<u> 10,300</u>

16. Related party transactions

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

	Six months ended 30th June, 2008 HK\$'000	2007 HK\$'000
Rental paid to a fellow subsidiary (Note i)	63	41
Interest income on advances to associates (Note ii)	1,200	2,139
Imputed interest income relating to interest-free advance to an associate	478	471

Notes:

- (i) Rental was paid to Chinese Estates, Limited, a wholly-owned subsidiary of Chinese Estates Holdings Limited ("Chinese Estates") for the lease of office premises. The lease was entered into in the ordinary course of business with reference to market rates.
- (ii) Interests were charged on outstanding balances during the Period.

On 17th January, 2008, the Company entered into a conditional sale and purchase agreement with Chinese Estates to dispose of shares in and loans to certain subsidiaries and associated companies (the "Transaction"). The Transaction constituted a very substantial disposal and connected transaction for the Company under the Listing Rules. Details of the Transaction are set out in the Company's joint circular with Chinese Estates dated 25th April, 2008. The completion of the Transaction is conditional on the fulfillment of certain conditions precedent. As at 30th June, 2008, all conditions precedent had not been fulfilled.

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

17. Post balance sheet events

- (i) As announced jointly by the Company and Chinese Estates on 2nd July, 2008, the time for fulfillment of conditions precedent of the Transaction was extended for a period of 3 months (that is, on or before 30th September, 2008) or such other date as the parties may agree in writing.
- (ii) Near the end of the Period and afterward, the Group entered into various sale and purchase agreements with independent third parties to dispose of certain godown units of property held for sale at a total consideration of about HK\$93.6 million. The respective disposals will be completed in the third and fourth quarters of 2008.
- (iii) The Group had acquired various floating rate notes with principal amount of approximately HK\$23.4 million in July 2008. The maturity dates of these floating rate notes are more than two years from the acquisition date.

18. 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, 2007: Nil).

FINANCIAL OPERATION REVIEW

Results

Turnover for the Period increased to HK\$46.1 million (period ended 30th June, 2007: HK\$13.7 million). Gross profit for the Period jumped to HK\$34 million (period ended 30th June, 2007: HK\$6.6 million). The improved performance was primarily due to disposal of three units in Gemstar Tower during the Period. Profit attributable to equity holders of the Company for the Period was HK\$51.6 million compared to HK\$47.4 million with the corresponding period last year.

The property development segment remained the key revenue contributor during the Period under review with turnover recorded at HK\$44.7 million (period ended 30th June, 2007: HK\$12.4 million). For property leasing, rental income for the Period amounted to HK\$1.4 million (period ended 30th June, 2007: HK\$1.3 million).

Fair value changes on investment properties for the Period amounted to HK\$2 million, increased slightly as compared to HK\$1.8 million in the corresponding period last year. Included in the current period results were loss on disposals of investment properties of HK\$1.7 million (period ended 30th June, 2007: gain of HK\$0.1 million).

Share of the results of associates for the Period amounted to HK\$23 million (period ended 30th June, 2007: HK\$35.5 million), down 35.1% from the same period last year. This result reflected decrease in the fair value gain on investment properties held by the associates. The Group shared from the associates fair value changes on investment properties of HK\$12.3 million after the offset of deferred tax impact of HK\$2.4 million (period ended 30th June, 2007: HK\$30.2 million after the offset of deferred tax impact of HK\$6.4 million). During the Period, the Group shared a gain on disposal of investment properties from an associate of HK\$0.6 million (period ended 30th June, 2007: HK\$1.2 million).

Earnings per share for the Period recorded at HK15.24 cents (period ended 30th June, 2007: HK13.98 cents).

Net Asset Value

As at 30th June, 2008, the Group's net assets attributable to equity holders of the Company amounted to HK\$920.7 million, representing an increase of HK\$51.6 million or 5.9% compared to HK\$869.1 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\$2.72 (31st December, 2007: HK\$2.57).

Debt and Gearing

The Group continued to maintain a strong capital and cash position for the Period. As at 30th June, 2008, cash and bank balances amounted to HK\$332.4 million (31st December, 2007: HK\$274.2 million). The Group did not have any bank borrowings (31st December, 2007: Nil).

FINANCIAL OPERATION REVIEW (cont'd)

Foreign Exchange Exposure

The Group's income, assets and liabilities are mainly denominated in Hong Kong dollars and no hedging has been made during the Period.

Pledge of Assets

As at 30th June, 2008, 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, 2008.

Financial and Interest Income/Expenses

Interest income for the Period decreased to HK\$4.4 million (period ended 30th June, 2007: HK\$6.7 million) which included an imputed interest income of HK\$0.5 million (period ended 30th June, 2007: HK\$0.5 million). No imputed interest expense relating to interest-free loan from the minority shareholder was recorded during the Period (period ended 30th June, 2007: HK\$0.03 million).

Remuneration Policies and Share Option Scheme

As at 30th June, 2008, the Group employed a total of 13 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.

BUSINESS REVIEW

Investment Properties and Properties Held for Sale

Gemstar Tower, Hung Hom (100% interests) – The property is currently a 20-storey godown building. During the Period, the Group disposed of 3 godown units. As at 30th June, 2008, the Group held 13 godown units on various floors with a total gross floor area of approximately 67,984 square feet and 50 carparking spaces. As at 30th June 2008, the occupancy rate of godown was 7.13%.

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, 2008, the two office floors were fully let.

BUSINESS REVIEW (cont'd)

Investment Properties and Properties Held for Sale (cont'd)

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 537,609 square feet and 77 carparking spaces as at 30th June, 2008.

On 17th January, 2008, the Company entered into a conditional sale and purchase agreement with Chinese Estates Holdings Limited (“Chinese Estates”) to dispose of shares in and loans to certain subsidiaries and associated companies (the “Transaction”). The Transaction, which constituted a very substantial disposal and connected transaction for the Company under the Listing Rules, was approved by the independent shareholders at an extraordinary general meeting of the Company held on 13th May, 2008. The principal properties held by those subsidiaries and associated companies, including Inter-Continental Plaza and No. 1 Hung To Road, will be disposed of to Chinese Estates under the Transaction. Details of the Transaction are set out in the Company’s joint circular with Chinese Estates dated 25th April, 2008. The completion of the Transaction is conditional on the fulfillment of certain conditions precedent. As at 30th June, 2008, all conditions precedent had not been fulfilled.

The Company has been diversifying its business activities to securities investment and finance, like investment in various long term floating rate notes. Consideration is also given on bonds and treasury products for investment.

POST BALANCE SHEET EVENTS

- (i) As announced jointly by the Company and Chinese Estates on 2nd July, 2008, the time for fulfillment of conditions precedent of the Transaction was extended for a period of 3 months (that is, on or before 30th September, 2008) or such other date as the parties may agree in writing.
- (ii) Near the end of the Period and afterward, the Group entered into various sale and purchase agreements with independent third parties to dispose of certain godown units of property held for sale at a total consideration of about HK\$93.6 million. The respective disposals will be completed in the third and fourth quarters of 2008.
- (iii) The Group had acquired various floating rate notes with principal amount of approximately HK\$23.4 million in July 2008 and will continue to allocate resources to explore its investment rewards. The maturity dates of these floating rate notes are more than two years from the acquisition date. It is expected that these long term investments will enhance the revenue and income base of the Group.

PROSPECTS

Expecting the completion of the Transaction, the cash position and liquidity of the Group would be further enhanced. With the adequate resources, the Group will continue to identify suitable investment opportunity, including property development and investment, securities investment and finance.

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

As at 30th June, 2008, 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 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 executive(s) of the Company nor their spouses or children under the age of 18 years 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, 2008, 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%
Mr. Joseph Lau, Luen-hung	209,931,186 (note 2)	Interests in controlled corporation	61.96%
Global King Ltd. (currently known as Global King (PTC) 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	20,827,142 (notes 4 & 5)	Founder of discretionary trusts and interest of controlled corporations	6.15%
Li Ka-Shing Unity Trustcorp Limited	20,827,142 (notes 4 & 5)	Trustee and beneficiary of a trust	6.15%
Li Ka-Shing Unity Trustee Corporation Limited	20,827,142 (notes 4 & 5)	Trustee and beneficiary of a trust	6.15%
Li Ka-Shing Unity Trustee Company Limited	20,827,142 (notes 4 & 5)	Trustee	6.15%
Cheung Kong (Holdings) Limited	20,827,142 (notes 4 & 5)	Interest of controlled corporations	6.15%
Hutchison Whampoa Limited	20,827,142 (note 4)	Interest of controlled corporations	6.15%
Hutchison International Limited	20,827,142 (note 4)	Interest of a controlled corporation	6.15%
Primetek Holdings Limited	20,827,142 (note 4)	Beneficial owner	6.15%

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

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 53.58% 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.
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. Global King Ltd. changed its name to Global King (PTC) Ltd. on 1st August, 2008.
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 20,827,142 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 20,827,142 shares of the Company held by Primetek.

All the interests stated above represent long positions. As at 30th June, 2008, 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.

REVIEW BY AUDIT COMMITTEE

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, 2008, the Group had made advances to associated companies of approximately HK\$120.1 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 the Group will not demand repayment within one year from the balance sheet date.

Pursuant to Rule 13.20 of the Listing Rules, the Company discloses details of the loans advanced to the entities as at 30th June, 2008 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	60,889	–	60,889
Canaria Holding Limited	50	N/A	–	49,706	49,706
Earn Elite Development Limited	50	6.75	9,500	–	9,500
			<u>70,389</u>	<u>49,706</u>	<u>120,095</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, 2008 (the latest practicable date) is presented below:

	(Note) Combined total HK\$'000	Interest attributable to the Group HK\$'000
Non-current assets	1,471,000	473,333
Current assets	28,342	8,437
Current liabilities	(40,882)	(13,584)
Non-current liabilities	<u>(473,195)</u>	<u>(118,261)</u>
Total assets and liabilities	<u>985,265</u>	<u>349,925</u>

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.

Upon review of the corporate governance practice 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 the Directors and by the relevant employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors and the relevant employees, all Directors and the relevant employees confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors and the relevant employees 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 for assisting the Board of Directors to carry out reviews on the effectiveness of the internal control system of the Group on all major operations on a continuous basis.

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, 5th August, 2008