



**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, 2011**

## 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

Wong, Tik-tung (*Chairman*)  
Lai, Yun-hung  
Mok, Hon-sang

### Remuneration Committee

Mok, Hon-sang (*Chairman*)  
Lai, Yun-hung  
Wong, Tik-tung

### Company Secretary

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

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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 (together, the “Group”) for the six months ended 30th June, 2011 (the “Period”) together with the comparative figures for the corresponding period in 2010 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

		Six months ended 30th June,	
		2011	2010
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	8,922	74,983
Cost of sales		<u>(126)</u>	<u>(17,340)</u>
Gross profit		8,796	57,643
Other revenue	4	124	3
Other income		–	371
Administrative expenses		(2,500)	(2,313)
Fair value changes on investment properties		<u>3,900</u>	<u>–</u>
Profit before tax	5	10,320	55,704
Income tax expense	6	<u>(1,681)</u>	<u>(8,543)</u>
Profit for the period		8,639	47,161
Other comprehensive (expense) income			
– Fair value changes on available-for-sale financial assets		<u>(294)</u>	<u>1,172</u>
Total comprehensive income for the period		<u>8,345</u>	<u>48,333</u>
Profit for the period attributable to owners of the Company		<u>8,639</u>	<u>47,161</u>
Total comprehensive income for the period attributable to owners of the Company		<u>8,345</u>	<u>48,333</u>
Earnings per share (HK cents)			
– Basic and diluted	8	<u>2.55</u>	<u>13.92</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30TH JUNE, 2011**

	<i>Notes</i>	<b>30th June, 2011 HK\$'000 (Unaudited)</b>	31st December, 2010 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	<i>9</i>	<b>33,300</b>	29,400
Available-for-sale financial assets	<i>10</i>	<b>59,169</b>	82,307
		<b>92,469</b>	111,707
<b>Current assets</b>			
Debtors, deposits and prepayments	<i>11</i>	<b>1,111</b>	1,732
Loan to a fellow subsidiary		<b>900,000</b>	900,000
Available-for-sale financial assets	<i>10</i>	<b>23,328</b>	15,673
Tax recoverable		–	1,267
Advance to a fellow subsidiary		–	61
Cash and cash equivalents		<b>44,337</b>	28,493
		<b>968,776</b>	947,226
<b>Current liabilities</b>			
Creditors and accruals	<i>12</i>	<b>583</b>	651
Deposits and receipts in advance		<b>284</b>	295
Tax liabilities		<b>8,579</b>	8,010
Advance from a fellow subsidiary		<b>286</b>	34
		<b>9,732</b>	8,990
<b>Net current assets</b>		<b>959,044</b>	938,236
<b>Total assets less current liabilities</b>		<b>1,051,513</b>	1,049,943
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>13</i>	<b>3,388</b>	3,388
Share premium		<b>495,160</b>	495,160
Contribution from shareholders		<b>20,719</b>	20,719
Securities investment reserve		<b>6,095</b>	6,389
Retained profits		<b>525,647</b>	523,783
<b>Total equity</b>		<b>1,051,009</b>	1,049,439
<b>Non-current liability</b>			
Deferred tax liability		<b>504</b>	504
		<b>1,051,513</b>	1,049,943

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2011**

	Share capital HK\$'000	Share premium HK\$'000	Contribution from shareholders HK\$'000	Securities investment reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January, 2010 (audited)	3,388	495,160	20,719	5,791	477,618	1,002,676
Profit for the period	-	-	-	-	47,161	47,161
Other comprehensive income for the period	-	-	-	1,172	-	1,172
Total comprehensive income for the period	-	-	-	1,172	47,161	48,333
Final dividend paid	-	-	-	-	(3,388)	(3,388)
At 30th June, 2010 (unaudited)	3,388	495,160	20,719	6,963	521,391	1,047,621
Profit for the period	-	-	-	-	5,780	5,780
Other comprehensive expense for the period	-	-	-	(574)	-	(574)
Total comprehensive (expense) income for the period	-	-	-	(574)	5,780	5,206
Interim dividend paid	-	-	-	-	(3,388)	(3,388)
At 31st December, 2010 (audited)	3,388	495,160	20,719	6,389	523,783	1,049,439
Profit for the period	-	-	-	-	8,639	8,639
Other comprehensive expense for the period	-	-	-	(294)	-	(294)
Total comprehensive (expense) income for the period	-	-	-	(294)	8,639	8,345
Final dividend paid	-	-	-	-	(6,775)	(6,775)
<b>At 30th June, 2011 (unaudited)</b>	<b>3,388</b>	<b>495,160</b>	<b>20,719</b>	<b>6,095</b>	<b>525,647</b>	<b>1,051,009</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2011**

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) generated from operating activities	<b>(829)</b>	62,179
Net cash generated from (used in) investing activities	<b>23,158</b>	(39,991)
Net cash used in financing activities	<b>(6,461)</b>	(3,235)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>15,868</b>	18,953
Effect of foreign exchange rate changes	<b>(24)</b>	23
Cash and cash equivalents at 1st January	<b>28,493</b>	9,759
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	<b>44,337</b>	28,735
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	<b>44,337</b>	28,735
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 1. Basis of preparation

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

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

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (the “HKFRSs”)

The accounting policies adopted in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2010 except as described below.

In the current period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the unaudited condensed consolidated financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The annual improvements to HKFRSs issued in 2010 contain amendment to HKAS 34 “Interim Financial Reporting”, which is effective for annual periods beginning on or after 1st January, 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions.

Save as described above, the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>3</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2013



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. Application of New and Revised Hong Kong Financial Reporting Standards (the "HKFRSs") (cont'd)

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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.

### 3. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has engaged three reportable segments – (i) property development; (ii) property leasing; and (iii) securities investments and finance. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

Principal activities are as follows:

Property development	–	Property development and sales of properties
Property leasing	–	Property rental
Securities investments and finance	–	Securities investments and financing activities

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

The Group evaluates performance on the basis of profit or loss from operations before tax expense but not including the major non-cash items. There is no intersegment revenue accountable for in both periods.

Included in revenue arising from securities investments and finance of HK\$7,484,000 (period ended 30th June, 2010: property development of HK\$66,430,000) is revenue of approximately HK\$5,291,000 (period ended 30th June, 2010: HK\$66,430,000) which arose from sales to the Group's one (period ended 30th June, 2010: four) major customer and each customer accounted for more than 10% of the Group's total revenue.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 3. Segment information (cont'd)

Segment information about these businesses is presented below:

The segment results for the period ended 30th June, 2011

	Property development HK\$'000 (Unaudited)	Property leasing HK\$'000 (Unaudited)	Securities investments and finance HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Revenue</b>				
Revenue from external customers	–	1,438	7,484	8,922
<b>Results</b>				
Segment results for reportable segments	6	1,342	7,463	8,811
Interest income				7
Other revenue				81
Unallocated corporate expenses				(2,479)
Fair value changes on investment properties				3,900
Income tax expense				(1,681)
<b>Profit for the period attributable to owners of the Company</b>				<b>8,639</b>

The segment assets and liabilities as at 30th June, 2011

	Property development HK\$'000 (Unaudited)	Property leasing HK\$'000 (Unaudited)	Securities investments and finance HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Assets</b>				
Segment assets for reportable segments	–	33,313	983,508	1,016,821
Unallocated corporate assets				44,424
Consolidated total assets				1,061,245
<b>Liabilities</b>				
Segment liabilities for reportable segments	80	284	–	364
Unallocated corporate liabilities				9,872
Consolidated total liabilities				10,236

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 3. Segment information (cont'd)

The segment results for the period ended 30th June, 2010

	Property development HK\$'000 (Unaudited)	Property leasing HK\$'000 (Unaudited)	Securities investments and finance HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Revenue</b>				
Revenue from external customers	66,430	1,250	7,303	74,983
<b>Results</b>				
Segment results for reportable segments	49,302	1,038	7,674	58,014
Interest income				1
Other revenue				2
Unallocated corporate expenses				(2,313)
Income tax expense				(8,543)
<b>Profit for the period attributable to owners of the Company</b>				<b>47,161</b>

The segment assets and liabilities as at 31st December, 2010

	Property development HK\$'000 (Audited)	Property leasing HK\$'000 (Audited)	Securities investments and finance HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
<b>Assets</b>				
Segment assets for reportable segments	–	29,502	999,465	1,028,967
Unallocated corporate assets				29,966
Consolidated total assets				1,058,933
<b>Liabilities</b>				
Segment liabilities for reportable segments	86	356	–	442
Unallocated corporate liabilities				9,052
Consolidated total liabilities				9,494

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 3. Segment information (cont'd)

#### Geographical segments

For the periods ended 30th June, 2011 and 30th June, 2010, all the Group's operations are located in Hong Kong. The Group's revenue is all derived from Hong Kong for both periods.

### 4. Revenue and other revenue

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

	Six months ended 30th June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue		
Property rental income	1,438	1,250
Sales of properties held for sale	–	66,430
Interest income from available-for-sale financial assets	2,193	2,489
Interest income on loan to a fellow subsidiary	5,291	4,814
	<u>8,922</u>	<u>74,983</u>
Other revenue		
Overprovision on expenses in relation to disposals of subsidiaries	80	–
Refund and write-off of deposits in relation to leasing properties	30	–
Interest income from bank deposits	7	1
Other income	6	–
Sundry income	1	2
	<u>124</u>	<u>3</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 5. Profit before tax

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before tax is stated after charging:		
Auditors' remuneration	110	105
Exchange loss, net	21	–
Staff costs (excluding directors' emoluments)		
– salaries and allowances	1,653	1,505
– retirement benefit costs	81	68
	<u>1,765</u>	<u>1,583</u>
and after crediting:		
Exchange gain, net	–	371
Gross rental income from properties	1,438	1,250
Less: direct operating expenses from properties that generated rental income during the period	(125)	(123)
direct operating expenses from properties that did not generate rental income during the period	(1)	(89)
	<u>1,312</u>	<u>1,038</u>

### 6. Income tax expense

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	1,681	8,543
	<u>1,681</u>	<u>8,543</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

### 7. Interim dividends

The Board declares the payment of an interim dividend of HK1 cent per share amounted to approximately HK\$3.4 million for the Period (period ended 30th June, 2010: HK1 cent per share). The interim dividends are declared after the interim reporting dates and have not been recognised as liabilities at the end of the respective reporting periods.

At the annual general meeting held on 26th May, 2011, a final dividend of HK2 cents per share amounted to approximately HK\$6.8 million for the year ended 31st December, 2010 (year ended 31st December, 2009: HK1 cent per share) was approved and paid on 17th June, 2011, which had been reflected as appropriations of retained profits for the Period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company for the Period of HK\$8,639,000 (period ended 30th June, 2010: HK\$47,161,000) and the weighted average number of 338,765,987 (period ended 30th June, 2010: 338,765,987) ordinary shares in issue during the Period.

For the periods ended 30th June, 2011 and 30th June, 2010, diluted earnings per share is the same as the basic earnings per share as there were no diluting events during these periods.

### 9. Investment properties

Fair value	HK\$'000
At 1st January, 2010 and 31st December, 2010	29,400
Fair value changes recognised in consolidated statement of comprehensive income	3,900
	<hr/>
<b>At 30th June, 2011</b>	<b>33,300</b>
	<hr/> <hr/>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes, are measured using the fair value model and are classified and accounted for as investment properties.

Property valuations as at 30th June, 2011 and 31st December, 2010 were carried out by Messrs. B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, in respect of the Group's investment properties. B.I. Appraisals hold a recognised professional qualification and has recent relevant experience. Property valuation was arrived at by reference to market evidence of transaction prices for similar properties at similar locations.

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting investment method, and/or direct comparison method, as appropriate. The valuation was relied on the discounted cash flow analysis and the capitalisation of income approach. The investment method is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions, the assumed occupancy rate and reversionary yield rate. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

### 10. Available-for-sale financial assets

	30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
The available-for-sale financial assets comprise:		
Floating rate notes	23,328	23,072
Fixed rate notes	59,169	74,908
	<hr/>	<hr/>
	<b>82,497</b>	97,980
	<hr/> <hr/>	<hr/> <hr/>
Analysis for reporting purposes as:		
Non-current assets	59,169	82,307
Current assets	23,328	15,673
	<hr/>	<hr/>
	<b>82,497</b>	97,980
	<hr/> <hr/>	<hr/> <hr/>

The floating and fixed rate notes are unlisted securities and carry floating interest at LIBOR plus 0.23% to 0.25% per annum or fixed interest at 4.75% to 6.50% per annum. The floating and fixed rate notes will mature from January 2012 to March 2016.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 11. Debtors, deposits and prepayments

There were no trade debtors included in debtors, deposits and prepayments as at 30th June, 2011 and 31st December, 2010.

### 12. Creditors and accruals

There were no trade payables included in creditors and accruals as at 30th June, 2011 and 31st December, 2010.

### 13. Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2010, 31st December, 2010 and 30th June, 2011	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2010, 31st December, 2010 and 30th June, 2011	<u>338,765,987</u>	<u>3,388</u>

### 14. Related party transaction

During the Period, the Group had the following transaction with a related party:

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on loan to a fellow subsidiary (Note)	<u>5,291</u>	<u>4,814</u>

Note: Interest was charged on outstanding balance during the Period.

## **INTERIM DIVIDEND**

The Board now declares the payment of an interim dividend of HK one cent per share for the Period (period ended 30th June, 2010: HK one cent per share) to be paid on or about 23rd September, 2011 to the shareholders as registered at the close of business on 26th August, 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 24th August, 2011 to 26th August, 2011, both days inclusive. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, namely Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 23rd August, 2011.

## **FINANCIAL OPERATION REVIEW**

### **Results**

Revenue for the Period decreased to HK\$8.9 million (period ended 30th June, 2010: HK\$75.0 million). Gross profit for the Period recorded at HK\$8.8 million (period ended 30th June, 2010: HK\$57.6 million). Profit attributable to owners of the Company for the Period was HK\$8.6 million compared to HK\$47.2 million with the corresponding period last year. The significant decline was mainly attributable to the sale of all remained godown units in Gemstar Tower, Hunghom, Kowloon in the corresponding period last year.

The securities investments and finance segment generated a revenue of HK\$7.5 million during the Period (period ended 30th June, 2010: HK\$7.3 million). For property leasing, rental income for the Period amounted to HK\$1.4 million (period ended 30th June, 2010: HK\$1.3 million). No revenue was generated from the property development segment (period ended 30th June, 2010: HK\$66.4 million) during the Period. Fair value changes on investment properties was recorded at HK\$3.9 million for the Period whereas there was no change in the corresponding period last year.

Earnings per share for the Period recorded at HK2.55 cents (period ended 30th June, 2010: HK13.92 cents).

### **Net Asset Value**

As at 30th June, 2011, the Group's net assets attributable to owners of the Company amounted to HK\$1,051.0 million as compared to HK\$1,049.4 million in preceding year. The movement in net assets was mainly due to the profit retained for the Period and payment of 2010 final dividend of HK\$6.8 million. Net asset value per share to owners of the Company was HK\$3.10 (31st December, 2010: HK\$3.10).

### **Debt and Gearing**

The Group continued to maintain a strong capital and cash position for the Period. As at 30th June, 2011, cash and bank balances amounted to HK\$44.3 million (31st December, 2010: HK\$28.5 million).

The Group did not have any bank borrowings as at 30th June, 2011 (31st December, 2010: Nil). The Group's income for the Period was denominated in Hong Kong dollar and United States dollar and no hedging for non-Hong Kong dollar assets or investments had been made during the Period.

### **Foreign Exchange Exposure**

The Group's investment, assets and liabilities are mainly denominated in Hong Kong dollar or United States dollar and no hedging has been made during the Period.



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

### **Pledge of Assets**

As at 30th June, 2011 and 31st December, 2010, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

### **Capital Commitments and Contingent Liabilities**

The Group did not have any material capital commitments and contingent liabilities as at 30th June, 2011 and 31st December, 2010.

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

Interest income for the Period increased slightly to HK\$7.5 million (period ended 30th June, 2010: HK\$7.3 million) within which included imputed interest income from fixed and floating rate notes of HK\$0.4 million (period ended 30th June, 2010: HK\$0.3 million).

No interest expenses were recorded for the periods ended 30th June, 2011 and 30th June, 2010.

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

All the employees under the Group were transferred to a fellow subsidiary during the Period. Thus, the Group did not employ any staff as at 30th June, 2011 (31st December, 2010: 7 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. During the Period, the Group's staff costs excluding directors' emoluments of approximately HK\$0.3 million were recharged by the fellow subsidiaries of the Company.

No share option scheme was adopted for the Period.

### **Property Valuation**

A property valuation has been carried out by Messrs. B.I. Appraisals Limited ("B.I. Appraisals"), an independent qualified professional valuers, in respect of the Group's investment properties as at 30th June, 2011 and that valuation was used in preparing 2011 interim results. Property valuation as at 31st December, 2010 was also carried out by B.I. Appraisals. B.I. Appraisals continue to adopt investment method and/or direct comparison method as the valuation methodologies.

The Group's investment properties were valued at HK\$33.3 million (31st December, 2010: HK\$29.4 million), representing 13.3% increase as compared with 31st December, 2010. The increase in fair value of HK\$3.9 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period.

## **BUSINESS REVIEW**

The financial returns from the loan to the Chinese Estates Group and certain long and short term fixed and floating rate notes constituted the primary source of income of the Group, whereas the car parking licence income formed the secondary source during the period under review.

### **Finance and Securities Investment**

As at 30th June, 2011, a total sum of HK\$900 million had been lent to the Chinese Estates Group under the three-year revolving loan facility at the interest rate of HIBOR plus 1% per annum. The Group has accrued an interest income from the revolving loan in the sum of HK\$5.3 million during the Period.

During the Period, the investment in long and short term fixed and floating rate notes with the aggregate principal sum of US\$12 million (the "FRN") brought to the Group an interest income of HK\$2.2 million. Subsequent to redemption of certain fixed rate notes in February 2011, the fair value of the FRN amounted to HK\$82.5 million as at 30th June, 2011, representing an increase of HK\$0.1 million or 0.1% as compared to HK\$98.0 million as at 31st December, 2010.

### **Investment Properties**

As at 30th June, 2011, the Group held 50 car parking spaces in Gemstar Tower, Hunghom, Kowloon. The rental income from the 50 car parking spaces in Gemstar Tower amounted to about HK\$1.4 million for the Period in comparison with some HK\$1.3 million of the last corresponding period.

## **EVENT AFTER THE REPORTING PERIOD**

On 6th July, 2011, additional FRN in the sum of approximately HK\$38.2 million were acquired for long term investment purpose.

## **PROSPECTS**

The local economy is facing high inflation. The interest rate, although having moderate increase, is still at a relatively low level for investment purpose. The interest income contribution from the HK\$900 million loan to the Chinese Estates Group, which will expire in November 2011, is therefore expected to be stable. The Group is considering the future utilization of such capital of HK\$900 million upon repayment of the loan by the Chinese Estates Group, although for the time being, no definite plan has been formalized. In order to alleviate the effect of inflation, the Company has further invested in the FRN to obtain a better investment income and during the Period, the investment income received proved to be positive. In last month, the Company was the target of potential friendly takeover by an independent third party. Notwithstanding that the incident was come to an abrupt end, it showed that the Company has its own attractiveness and the Company's foundation is sound. Overall, the Group's current business strategy in the FRN investment with higher interest growth potentials will continue and the Group's business prospect is expected to be stable in the immediate future, barring any unforeseeable adverse business and economic development.

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

As at 30th June, 2011, 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange (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, 2011, 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 (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%

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

<b>Name</b>	<b>Number of Shares (ordinary share)</b>	<b>Capacity</b>	<b>Percentage of Issued Share Capital</b>
Mr. Li Ka-shing	20,827,142 (Notes 4 & 5)	Founder of discretionary trusts and interests 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)	Interests of controlled corporations	6.15%
Hutchison Whampoa Limited	20,827,142 (Note 4)	Interests of controlled corporations	6.15%
Hutchison International Limited	20,827,142 (Note 4)	Interests of a controlled corporation	6.15%
Primetek Holdings Limited	20,827,142 (Note 4)	Beneficial owner	6.15%
Mr. Lai, Kwok-kwong	28,482,000 (Note 6)	Beneficial owner	8.41%

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 74.94% 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 (PTC) Ltd. is the trustee. Global King (PTC) Ltd. is entitled to exercise more than one-third of the voting power at the general meetings of Chinese Estates. Accordingly, Global King (PTC) 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, each of HWL and HIL was deemed to be interested in the 20,827,142 shares of the Company beneficially owned 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 beneficially owned by Primetek.

6. Of the 28,482,000 shares of the Company in which Mr. Lai, Kwok-kwong was interested, 6,000,000 shares were held by Powerplanet Limited, a company wholly-owned by Mr. Lai, Kwok-kwong. By virtue of the SFO, Mr. Lai, Kwok-kwong was deemed to be interested in the 6,000,000 shares of the Company held by Powerplanet Limited. The remaining 22,482,000 shares of the Company were beneficially owned by Mr. Lai, Kwok-kwong personally.

All the interests stated above represent long positions. As at 30th June, 2011, 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 had 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, which 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 consolidated financial statements for the Period.

## **DISCLOSURE OF ADVANCE TO AN ENTITY UNDER RULE 13.20 OF THE LISTING RULES**

As at 30th June, 2011, pursuant to Rule 13.20 of the Listing Rules, the Group had made advance of HK\$900 million at HIBOR plus 1% per annum to Longman Limited, a wholly-owned subsidiary of Chinese Estates Holdings Limited ("Chinese Estates"), the holding company of the Company. The loan had been granted for the capital expenditure and general working capital of Chinese Estates and its subsidiaries. The loan is a three-year revolving facility, with Chinese Estates acting as the guarantor, but is unsecured, and repayable on demand with maturity date on 3rd November, 2011.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance in order to ensure high transparency and protection of interests of the shareholders and the Company as a whole. Since 2005, the Company 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 practices of the Company, the Board believed that the Company has applied the principles in the Code and complied with the Code throughout the Period, save for the deviation from Code provision A.1.1 of the Code under which the board of directors of a listed issuer should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Owing to the receipt of the notice of intention from the substantial shareholder to dispose of its controlling interests in the Company (the "Disposal") and consideration of the relevant works to cope with such change of control of the Company (although the transaction contemplated under the Disposal came to an abrupt end on 30th July, 2011), the second regular board meeting of the Company had been deferred to 8th August, 2011 to review the quarterly results for the three months ended 31st March, 2011 and approve the 2011 interim results of the Group simultaneously.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by Directors. The Company has also adopted a code of conduct regarding securities transactions by the relevant employees on terms no less exacting than the required standard set out in the Model Code (the "Employees' Code"). Having made specific enquiry of all Directors and the relevant employees, all Directors and relevant employees confirmed that they have complied with the required standard set out in the Model Code and the Employees' Code throughout the Period.

**DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2)  
AND 13.51B(1) OF THE LISTING RULES**

There is no change of information of each director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules, since publication of the 2010 annual report of the Company.

**APPRECIATION**

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

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

Hong Kong, 8th August, 2011