



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, 2012**

CONTENTS

	<i>Page</i>
Corporate Information	1
Results	
Condensed Consolidated Statement of Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Consolidated Financial Statements	6
Interim Dividend	13
Closure of Register of Members	13
Financial Operation Review	13
Business Review	15
Prospects	15
Directors' and Chief Executives' Interests in the Securities of the Company and Associated Corporations	15
Substantial Shareholders' Interests in the Securities of the Company	16
Purchase, Sale or Redemption of the Company's Listed Securities	17
Review by Audit Committee	17
Disclosure of Advance to an Entity under Rule 13.20 of the Listing Rules	17
Corporate Governance	18
Model Code for Securities Transactions	19
Disclosure of Change of Information of Directors under Rules 13.51(2) and 13.51B(1) of the Listing Rules	19
Appreciation	19

CORPORATE INFORMATION

Directors

Executive Director:

Matthew Cheong, Veng-va
(*Chairman & 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

Nomination Committee

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

Company Secretary

Lam, Kwong-wai

Solicitors

Sit, Fung, Kwong & Shum
Chiu & Partners
Sidley Austin

Auditors

HLB Hodgson Impey Cheng Limited

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, 2012 (the “Period”) together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Six months ended 30th June,	
		2012	2011
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	12,344	8,922
Cost of sales		(119)	(126)
Gross profit		12,225	8,796
Other income	5	2	8
Administrative expenses		(1,883)	(2,500)
Fair value changes on investment properties		2,900	3,900
Other gains and losses, net		–	116
Profit before tax		13,244	10,320
Income tax expense	7	(2,220)	(1,681)
Profit for the period	6	11,024	8,639
Other comprehensive income (expense)			
Fair value changes on available-for-sale financial assets		1,180	(294)
Total comprehensive income for the period		12,204	8,345
Profit for the period attributable to owners of the Company		11,024	8,639
Total comprehensive income for the period attributable to owners of the Company		12,204	8,345
Earnings per share (HK cents)			
Basic and diluted	9	3.25	2.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	<i>Notes</i>	30th June, 2012 HK\$'000 (Unaudited)	31st December, 2011 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	37,300	34,400
Available-for-sale financial assets	11	<u>73,173</u>	<u>96,263</u>
		<u>110,473</u>	<u>130,663</u>
Current assets			
Available-for-sale financial assets	11	23,947	11,415
Loan to a fellow subsidiary		900,000	900,000
Debtors, deposits and prepayments	12	2,482	2,917
Time deposits, bank balances and cash		<u>31,511</u>	<u>12,284</u>
		<u>957,940</u>	<u>926,616</u>
Current liabilities			
Amounts due to fellow subsidiaries		124	144
Creditors and accruals	13	741	413
Deposits and receipts in advance		1,478	309
Tax liabilities		<u>2,355</u>	<u>1,514</u>
		<u>4,698</u>	<u>2,380</u>
Net current assets		<u>953,242</u>	<u>924,236</u>
Total assets less current liabilities		<u>1,063,715</u>	<u>1,054,899</u>
Equity attributable to owners of the Company			
Share capital	14	3,388	3,388
Share premium		495,160	495,160
Contribution from shareholders		20,719	20,719
Securities investments reserve		5,863	4,683
Retained profits		<u>538,079</u>	<u>530,443</u>
Total equity		<u>1,063,209</u>	<u>1,054,393</u>
Non-current liability			
Deferred tax liabilities		<u>506</u>	<u>506</u>
		<u>1,063,715</u>	<u>1,054,899</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2012

	Share capital HK\$'000	Share premium HK\$'000	Contribution from shareholders HK\$'000 (Note)	Securities investments reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January, 2011 (audited)	3,388	495,160	20,719	6,389	523,783	1,049,439
Profit for the period	–	–	–	–	8,639	8,639
Fair value changes on available-for-sale financial assets	–	–	–	(294)	–	(294)
Total comprehensive (expense) income for the period	–	–	–	(294)	8,639	8,345
Final dividend paid	–	–	–	–	(6,775)	(6,775)
At 30th June, 2011 (unaudited)	3,388	495,160	20,719	6,095	525,647	1,051,009
Profit for the period	–	–	–	–	8,184	8,184
Fair value changes on available-for-sale financial assets	–	–	–	(1,446)	–	(1,446)
Reclassification relating to disposal of available-for-sale financial assets	–	–	–	34	–	34
Total comprehensive (expense) income for the period	–	–	–	(1,412)	8,184	6,772
Interim dividend paid	–	–	–	–	(3,388)	(3,388)
At 31st December, 2011 (audited)	3,388	495,160	20,719	4,683	530,443	1,054,393
Profit for the period	–	–	–	–	11,024	11,024
Fair value changes on available-for-sale financial assets	–	–	–	1,180	–	1,180
Total comprehensive income for the period	–	–	–	1,180	11,024	12,204
Final dividend paid	–	–	–	–	(3,388)	(3,388)
At 30th June, 2012 (unaudited)	<u>3,388</u>	<u>495,160</u>	<u>20,719</u>	<u>5,863</u>	<u>538,079</u>	<u>1,063,209</u>

Note:

Contribution from shareholders represents the excess of the fair value of the net assets acquired from Chinese Estates Holdings Limited over the consideration paid in relation to the asset transaction completed on 7th November, 2003.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2012

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(115)	(829)
Net cash generated from investing activities	22,757	23,158
Net cash used in financing activities	(3,407)	(6,461)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	19,235	15,868
Cash and cash equivalents at 1st January	12,284	28,493
Effect of foreign exchange rate changes	(8)	(24)
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	<u>31,511</u>	<u>44,337</u>
Analysis of the balances of cash and cash equivalents		
Time deposits, bank balances and cash	<u>31,511</u>	<u>44,337</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

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 (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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 financial instruments, which are measured at their fair values.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“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, 2011 except as described below.

In the current period, the Group has applied, for the first time, the following amendments (“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:

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets

The Group had early adopted the amendments to HKAS 12, “Deferred Tax: Recovery of Underlying Assets” which is effective for annual periods beginning on or after 1st January, 2012, in the financial year ended 31st December, 2010 and this change in accounting policies has no significant impact on the Group’s results and financial position.

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 and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised in 2011)	Employee Benefits ²
HKAS 27 (Revised in 2011)	Separate Financial Statements ²
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1st July, 2012

² Effective for annual periods beginning on or after 1st January, 2013

³ Effective for annual periods beginning on or after 1st January, 2014

⁴ Effective for annual periods beginning on or after 1st January, 2015

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

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (cont'd)

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

3. Revenue

Six months ended 30th June,	
2012	2011
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

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

Property rental income	1,441	1,438
Interest income from available-for-sale financial assets	2,731	2,193
Interest income on loan to a fellow subsidiary	8,172	5,291
	<u>12,344</u>	<u>8,922</u>

4. Operating Segments

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

Following the completion of the disposal of all properties held for sale units in Gemstar Tower during the financial year ended 31st December, 2010, one of the Group's reportable business segments, namely property development segment, was removed during the Period. In the opinion of the directors, the change in presentation of the reportable segments has no significant impact on prior period segment information.

The Group has engaged two reportable segments – (i) property leasing; and (ii) 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 leasing	–	Property rental
Securities investments and finance	–	Securities investments and financing activities

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

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

Included in revenue arising from securities investments and finance of HK\$10,903,000 (period ended 30th June, 2011: HK\$7,484,000) is revenue of approximately HK\$8,172,000 (period ended 30th June, 2011: HK\$5,291,000) which arose from the Group's one (period ended 30th June, 2011: one) major customer and accounted for more than 10% of the Group's total revenue.

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

4. Operating Segments (cont'd)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2012

	Property leasing HK\$'000 (Unaudited)	Securities investments and finance HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue			
Revenue from external customers	<u>1,441</u>	<u>10,903</u>	<u>12,344</u>
Results			
Segment results for reportable segments	<u>1,322</u>	<u>10,724</u>	12,046
Unallocated items			
Interest income			1
Unallocated corporate expenses, net			(1,703)
Income tax expense			<u>(2,220)</u>
Core profit (excluding major non-cash item)			8,124
Major non-cash item			
– fair value changes on investment properties			<u>2,900</u>
Profit for the period attributable to owners of the Company			<u>11,024</u>

Condensed Consolidated Statement of Financial Position

At 30th June, 2012

	Property leasing HK\$'000 (Unaudited)	Securities investments and finance HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Assets			
Segment assets for reportable segments	<u>37,313</u>	<u>999,589</u>	1,036,902
Unallocated corporate assets			<u>31,511</u>
Consolidated total assets			<u>1,068,413</u>
Liabilities			
Segment liabilities for reportable segments	<u>1,642</u>	<u>–</u>	1,642
Unallocated corporate liabilities			<u>3,562</u>
Consolidated total liabilities			<u>5,204</u>

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

4. Operating Segments (cont'd)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2011

	Property leasing HK\$'000 (Unaudited)	Securities investments and finance HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue			
Revenue from external customers	<u>1,438</u>	<u>7,484</u>	<u>8,922</u>
Results			
Segment results for reportable segments	<u>1,342</u>	<u>7,463</u>	8,805
Unallocated items			
Interest income			7
Other gains and losses, net			87
Unallocated corporate expenses, net			(2,479)
Income tax expense			<u>(1,681)</u>
Core profit (excluding major non-cash item)			4,739
Major non-cash item			
– fair value changes on investment properties			<u>3,900</u>
Profit for the period attributable to owners of the Company			<u><u>8,639</u></u>

Condensed Consolidated Statement of Financial Position

At 31st December, 2011

	Property leasing HK\$'000 (Audited)	Securities investments and finance HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
Assets			
Segment assets for reportable segments	<u>34,413</u>	<u>1,010,432</u>	1,044,845
Unallocated corporate assets			<u>12,434</u>
Consolidated total assets			<u><u>1,057,279</u></u>
Liabilities			
Segment liabilities for reportable segments	<u>309</u>	<u>–</u>	309
Unallocated corporate liabilities			<u>2,577</u>
Consolidated total liabilities			<u><u>2,886</u></u>

Geographical Information

For the periods ended 30th June, 2012 and 2011, all the Group's operations are located in Hong Kong. The Group's revenue is all derived from Hong Kong for both periods.

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

5. Other Income

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Included in other income is:		
Interest income	<u>1</u>	<u>7</u>

6. Profit for the Period

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Directors' emoluments	(279)	(280)
Salaries and other benefits	(863)	(1,653)
Retirement benefit scheme contributions	(47)	(81)
	<u>(1,189)</u>	<u>(2,014)</u>
Auditors' remuneration	(110)	(110)
Exchange loss, net	(179)	(21)
Gross rental income from investment properties	1,441	1,438
Less: Direct operating expenses from investment properties that generated rental income during the period	(119)	(125)
Direct operating expenses from investment properties that did not generate rental income during the period	-	(1)
	<u>1,322</u>	<u>1,312</u>

7. Income Tax Expense

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax:		
Hong Kong	<u>2,220</u>	<u>1,681</u>

Hong Kong Profits Tax is calculated at 16.5% (period ended 30th June, 2011: 16.5%) on the estimated assessable profits for the Period.

8. 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, 2011: 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 25th May, 2012, a final dividend of HK1 cent per share amounted to approximately HK\$3.4 million for the year ended 31st December, 2011 (year ended 31st December, 2010: HK2 cents per share) was approved and paid on 13th June, 2012, which had been reflected as appropriations of retained profits for the Period.

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

9. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the profit for the Period attributable to owners of the Company of HK\$11,024,000 (period ended 30th June, 2011: HK\$8,639,000) and on the weighted average number of 338,765,987 (period ended 30th June, 2011: 338,765,987) ordinary shares in issue during the Period.

Diluted earnings per share for the periods ended 30th June, 2012 and 2011 were the same as the basic earnings per share as there were no diluting events during both periods.

10. Investment Properties

	HK\$'000
Fair value	
At 1st January, 2011	29,400
Increase in fair value recognised in the condensed consolidated statement of comprehensive income	<u>5,000</u>
At 31st December, 2011	34,400
Increase in fair value recognised in the condensed consolidated statement of comprehensive income	<u>2,900</u>
At 30th June, 2012	<u><u>37,300</u></u>

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, 2012 and 31st December, 2011 were carried out by B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, in respect of the Group's investment properties. B.I. Appraisals holds 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 valuation reports for the investment properties as at 30th June, 2012 and 31st December, 2011 were signed by a director of B.I. Appraisals, who is a member of The Hong Kong Institute of Surveyors. The valuations are performed in accordance with The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

11. Available-for-sale Financial Assets

	30th June, 2012 HK\$'000 (Unaudited)	31st December, 2011 HK\$'000 (Audited)
Available-for-sale financial assets comprise:		
Unlisted floating rate notes	–	11,415
Unlisted fixed rate notes	<u>97,120</u>	<u>96,263</u>
	<u><u>97,120</u></u>	<u><u>107,678</u></u>
Analysis for reporting purposes as:		
Non-current assets	<u>73,173</u>	96,263
Current assets	<u>23,947</u>	<u>11,415</u>
	<u><u>97,120</u></u>	<u><u>107,678</u></u>

The floating and fixed rate notes are unlisted securities. At 30th June, 2012, the fixed rate notes carried fixed interest at 4.75% to 6.50% (31st December, 2011: floating interest at LIBOR plus 0.23% or fixed interest at 4.75% to 6.50%) per annum and will mature from February 2013 to August 2019.

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

12. Debtors, Deposits and Prepayments

There were no trade receivables included in debtors, deposits and prepayments as at 30th June, 2012 and 31st December, 2011.

13. Creditors and Accruals

There were no trade payables included in creditors and accruals as at 30th June, 2012 and 31st December, 2011.

14. Share Capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 30th June, 2012	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 30th June, 2012	<u>338,765,987</u>	<u>3,388</u>

15. Material Related Party Transaction

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

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on loan to a fellow subsidiary	<u>8,172</u>	<u>5,291</u>

Interest income was charged on outstanding balance during both periods.

16. Comparative Figures

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

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, 2011: HK one cent per share) to be paid on or about 21st September, 2012 to the shareholders as registered at the close of business on 31st August, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 29th August, 2012 to 31st August, 2012, 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 28th August, 2012.

FINANCIAL OPERATION REVIEW

Results

Revenue for the Period increased to HK\$12.3 million (period ended 30th June, 2011: HK\$8.9 million). Gross profit for the Period recorded at HK\$12.2 million (period ended 30th June, 2011: HK\$8.8 million). Profit attributable to owners of the Company for the Period was HK\$11.0 million compared to HK\$8.6 million with the corresponding period last year.

The securities investments and finance segment generated a revenue of HK\$10.9 million during the Period (period ended 30th June, 2011: HK\$7.5 million). For property leasing, rental income for the Period amounted to HK\$1.4 million (period ended 30th June, 2011: HK\$1.4 million). Fair value of investment properties was increased by HK\$2.9 million for the Period (period ended 30th June, 2011: HK\$3.9 million).

Earnings per share for the Period recorded at HK3.25 cents (period ended 30th June, 2011: HK2.55 cents).

Net Asset Value

At 30th June, 2012, the Group's net assets attributable to owners of the Company amounted to HK\$1,063.2 million as compared to HK\$1,054.4 million as at 31st December, 2011. The movement in net assets was mainly due to the profit retained for the Period and payment of 2011 final dividend of HK\$3.4 million. Net asset value per share to owners of the Company was HK\$3.14 (31st December, 2011: HK\$3.11).

Debt and Gearing

At 30th June, 2012, time deposits, bank balances and cash amounted to HK\$31.5 million (31st December, 2011: HK\$12.3 million).

The Group did not have any bank borrowings as at 30th June, 2012 (31st December, 2011: Nil). The Group's income for the Period was denominated in Hong Kong dollars and United States dollars and no hedging for non-Hong Kong dollars assets or investments has been made during the Period.

FINANCIAL OPERATION REVIEW (cont'd)

Foreign Exchange Exposure

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

Pledge of Assets

At 30th June, 2012 and 31st December, 2011, 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, 2012 and 31st December, 2011.

Financial and Interest Income/Expenses

Interest income for the Period increased to HK\$10.9 million (period ended 30th June, 2011: HK\$7.5 million) within which included imputed interest income from floating and fixed rate notes of HK\$0.1 million (period ended 30th June, 2011: HK\$0.4 million).

No interest expenses were recorded for the periods ended 30th June, 2012 and 2011.

Remuneration Policies and Share Option Scheme

At 30th June, 2012, the Group did not employ any staff (31st December, 2011: Nil). The total staff cost excluding directors' emoluments for the Period of approximately HK\$0.9 million (period ended 30th June, 2011: HK\$0.3 million) was representing the staff cost recharged by fellow subsidiaries of the Company.

No share option scheme was adopted for the Period.

Property Valuation

A property valuation has been carried out by B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, in respect of the Group's investment properties as at 30th June, 2012 and it was used in preparing 2012 interim results. Property valuation as at 31st December, 2011 was also carried out by B.I. Appraisals. The valuation was based on either direct comparison approach assuming the property 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, or investment method by taking into account the current passing rents and the reversionary income potential of the properties.

The Group's investment properties were valued at HK\$37.3 million as at 30th June, 2012 (31st December, 2011: HK\$34.4 million), an increase in fair value of HK\$2.9 million (period ended 30th June, 2011: 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 Chinese Estates Group and certain long and short term floating and fixed rate notes (the “FRNs”) 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

During the Period, the Group accrued an interest income in the sum of HK\$8.2 million from the loan of HK\$900 million to Chinese Estates Group under the three-year revolving loan facility at the interest rate of HIBOR plus 1.5% per annum.

During the Period, FRNs in the principal sum of US\$1.5 million was redeemed in June 2012. Overall, the Group’s investment in FRNs with the aggregate principal sum of US\$11.5 million as at 30th June, 2012 generated an interest income of HK\$2.7 million during the Period. The fair value of the FRNs amounted to HK\$97.1 million as at 30th June, 2012, in comparison with the fair value of HK\$107.7 million as at 31st December, 2011.

Investment Properties

As at 30th June 2012, the Group held 50 car parking spaces in Gemstar Tower, Hunghom, Kowloon. The licence 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\$1.4 million of the last corresponding period.

PROSPECTS

Entering into the second half year, Hong Kong economy does not show much substantial improvement, so is the PRC economic condition. Although inflation has been stabilized, the related phenomenon is the slow-down of economic activities. European debt crisis has shown no sign of resolution. US economy recovery is also slow. With more money supply from various quantitative easing measures carried out by various countries, bank interest rate for savings would continue to be kept lower under the current pegged US-HK dollar exchange rate system.

Surrounded by the global and local economic uncertainties, the Company’s business policy proves to be prudent, with preservation of strong fund position and having achieved moderate increase in interest income upon the renewal of HK\$900 million revolving loan facility to Chinese Estates Group at the new interest rate of HIBOR plus 1.5% per annum. Meanwhile, the car parking spaces in Gemstar Tower and various FRNs will continue to generate stable income to the Group barring any unforeseeable adverse events in future.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2012, none of the directors or chief executives 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 executives of the Company, nor their spouses or children under the age of 18 years, were granted or had exercised any right 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, 2012, 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%
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%

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 74.99% 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 (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.

(Note: Effective from 16th July, 2012, Mr. Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Li Ka-Shing Unity Holdings Limited. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Li Ka-Shing Unity Holdings Limited.)

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, 2012, 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 condensed consolidated financial statements for the Period.

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

As at 30th June, 2012, pursuant to Rule 13.20 of the Listing Rules, the Group had made advance of HK\$900 million at HIBOR plus 1.5% 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 2nd November, 2014.

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 has adopted the code provisions and certain recommended best practices (with amendments from time to time) as set out in the Corporate Governance Code (the “CG Code”), which was formerly known as the “Code on Corporate Governance Practices” 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 CG Code and complied with the code provisions of the CG Code during the period under review. None of the directors was aware of any information that would reasonably indicate that the Company was during the Period non-compliant with the code provisions of the CG Code, except for the deviations as follows:

Under code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. With the resignation of Ms. Teresa Poon, Mun-chie as the Executive Director and Chief Executive Officer of the Company on 9th June, 2012, Mr. Matthew Cheong, Veng-va has been appointed as the Chief Executive Officer of the Company, in addition to his role as the Executive Director and Chairman of the Board. The Board considered that the business of the Company would remain stable in short run and the vacancy of chief executive officer can be undertaken by Mr. Matthew Cheong without causing material difficulties to or influence on the business operation of the Company and to the good corporate governance practice. The Board will review the situation when the business of the Company demands for separation of the roles of chairman and chief executive officer.

Under code provision C.2.2 of the CG Code, the board of directors of a listed company should consider the adequacy of resources, staff qualifications and experience, training programmes and budget of a listed company’s accounting and financial reporting function, as part of internal control of a listed company in the annual review. Under code provision C.3.3(g) of the CG Code, the terms of reference of audit committee of a listed company should include the duty to discuss the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system and such discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the listed company’s accounting and financial reporting function. Although the Company does not for the time being engage any staff, the Board has secured the assistance of Chinese Estates to provide and to share with its accounting and financial reporting resources, including human resources, accounting programmes and other information system facilities to ensure that the Company has fulfilled the legal and the Listing Rules’ requirements on the preparation of financial reporting and internal control. The Board believed that such arrangement with Chinese Estates would substantially reduce the cost of the Company in accounting, financial reporting and internal controls functions. The Board shall use its best endeavours to ensure high efficiency and effectiveness and independence of the financial reporting system and internal control system of the Company under the aforesaid arrangement with Chinese Estates.

Under code provision C.3.7 of the CG Code, the terms of reference of the audit committee of a listed company should require it to review arrangements that the employees of the listed company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. As the Company does not have any employee for the time being, the Board considered that it may not cause material effect on the functions of financial reporting, internal control or other related matters without the relevant arrangements in place. As the current accounting and financial reporting and internal controls have been undertaken by Chinese Estates, consideration is being given for preparation of the procedure and arrangements to allow all relevant managers and their subordinates of Chinese Estates who are handling with the accounting matters of the Company to raise concerns about possible improprieties in financial reporting, internal control and other related matters in confidence.

CORPORATE GOVERNANCE (cont'd)

Under code provision D.1.4 of the CG Code, the listed company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As the remuneration committee and the Board of the Company will in late 2012 consider the directors' fee payable to the executive director and the independent non-executive directors of the Company for the financial year ending 31st December, 2012, the Board considered that it is better for the formal letters of appointment for directors with key terms and conditions to be considered together with the directors' fee in late 2012 in an once and for all manner.

Under code provision F.1.1 of the CG Code, the company secretary of a listed company should be an employee of the listed company and should have day-to-day knowledge of the listed company's affairs. Mr. Lam, Kwong-wai has taken up the position as Group Financial Controller since 2000 and Company Secretary of the Company since late 2002 and he has extensive day-to-day knowledge of the Group, notwithstanding that he is not an employee of the Company. Apart from being the company secretary of Chinese Estates since 1994, he is currently an executive director and the group financial controller of Chinese Estates. The Board considered that his services as Company Secretary to the Company is indispensable as he can act as the channel of communication with Chinese Estates.

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 the 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 (viz., the senior executives of Chinese Estates Group), 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

Mr. Matthew Cheong, Veng-va, an Executive Director and the Chairman of the Company, was appointed as the Chief Executive Officer of the Company upon the resignation of Ms. Teresa Poon, Mun-chie as an Executive Director and the Chief Executive Officer of the Company on 9th June, 2012.

Save the change mentioned above, there is no change of information of each director that is required to be disclosed under Rule 13.51(2) and 13.51B(1) of the Listing Rules, since publication of the 2011 Annual Report of the Company.

APPRECIATION

I would like to take this opportunity to thank the shareholders for their continuous support, and my fellow directors and those who have worked for the Group for their valuable contribution.

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

Hong Kong, 10th August, 2012