



INTERIM DIVIDEND

The Directors of the Company have resolved not to declare any interim dividend for the six months ended 30th June 2006 (2005: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group recorded a turnover of HK\$14,062,000 for the six months ended 30th June 2006, which represented a decrease of approximately HK\$2,548,000 or 15% as compared with the same period in 2005. The decrease is mainly due to the decrease in rental income from Hong Kong.

The profit attributable to equity holders for the six months ended 30th June 2006 was HK\$24,317,000 whereas HK\$3,015,000 was made for the same period in 2005. The profit is mainly due to the increase in fair value of Harbour Crystal Centre.

Hong Kong Business

Property

For the six months ended 30th June 2006, the average occupancy rates of the Group's residential properties situated at Red Hill Peninsula and South Horizons were approximately 68% and 100% respectively, while the average occupancy rate of commercial properties situated at Harbour Crystal Centre was approximately 68%. During the period, the Group's net rental income from property leasing was lower than that for the same period in last year as a result of the decrease in occupancy levels of the properties situated at Harbour Crystal Centre.

Beijing Business

The Wangfujing Projects

Lot No. F1 (40.5% owned)

As requested by the Beijing Municipal Bureau of Commerce on approving the sale and purchase agreement, the Group's wholly-owned subsidiary Turbo Dragon Limited ("Turbo Dragon") entered into a supplementary sale and purchase agreement with China Yintai Investment Company Limited ("China Yintai") on 8th February 2006. According to the contents of the relevant sale and purchase agreements, Turbo Dragon would sell its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for total a consideration of RMB134,070,000 (approximately HK\$128,913,000).

Turbo Dragon received a deposit of RMB25,000,000 (approximately HK\$24,038,000) from China Yintai on 9th May 2004; the first instalment of RMB10,000,000 (approximately HK\$9,615,000) together with accrued interest of RMB975,000 (approximately HK\$938,000) and the second instalment of RMB10,000,000 (approximately HK\$9,615,000) together with accrued interest of RMB903,000 (approximately HK\$868,000) were also received by the Group on 27th February 2006 and 9th May 2006 respectively. The remaining sale consideration of RMB89,070,000 (approximately HK\$85,644,000) and the accrued interest of RMB10,332,000 (approximately HK\$9,935,000) will be received by three instalments on or before 6th February 2007. The interest of the Group in Beijing Lucky will be transferred in stages in proportion to the actual amount received from China Yintai. As a result, the Group has transferred 20.6% equity interest in Beijing Lucky to China Yintai.



Dan Yao Building (85% owned)

For the six months ended 30th June 2006, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") is still examining the application for the liquidation of Beijing Dan Yao Property Company Limited ("Dan Yao"). The PRC Court has not yet made a decision on whether or not to grant an order for the liquidation of Dan Yao. It is expected that the PRC Court will make a decision on our application for the liquidation of Dan Yao by the end of 2006.

The business operation of the shopping mall of Dan Yao Building remains steady. For the six months ended 30th June 2006, the rental income was approximately RMB1,670,000 (approximately HK\$1,606,000), where the rental expenses (excluding finance expenses and non-recurring expenses) were approximately RMB1,894,000 (approximately HK\$1,821,000).

The operating strategy of Dan Yao Building will be continually adjusted; we are refining the operating structure of the shopping mall and enhancing the management of the building in order to maintain its stability in operations so as to achieve a break-even results.

The Xidan Project (29.4% owned)

For the six months ended 30th June 2006, the disputes between Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan") and China Telecom Group Beijing Telecom Co., Ltd. ("Telecom Group Beijing") over the sale areas of the building located at Lot No.1 were resolved by the China International Economic and Trade Arbitration Commission ("CIETAC") on 27th June 2006, where the CIETAC ruled in favor of Jing Yuan; the application for the building ownership certificates in respect of the resettlement units of the building located at Lot No. 2 was submitted to the relevant Departments of the PRC Government and is being examined; according to the sale and purchase agreement of the land at Lot No. 4, Jing Yuan received RMB95,000,000 (approximately HK\$91,346,000) of the sales of RMB125,000,000 (approximately HK\$120,192,000) which is entitled to receive on or before 31st December 2005, whereas the sales of RMB50,000,000 (approximately HK\$48,077,000) which is entitled to receive on or before 30th June 2006 has not been received; the land and the building ownership certificates of the property at Lot No. 5, which was sold to China United Telecommunication Corporation ("China United Telecom") has been registered in the name of Jing Yuan, and the transfer of the title of the land and building to China United Telecom is being carried out; the project at Lot No. 9 has undergone the stages of maintenance, operations and costs recognition, and the sale of the building has also begun; in respect of the land at Lot No. 10, we are approaching to several parties for the sale of land.

In the second half of 2006, it is expected that the sales receivable of RMB37,504,000 (approximately HK\$36,062,000) stated in the original sale and purchase agreement of the building situated at the land of Lot No.1 will be received from Telecom Group Beijing based on the decision of the CIETAC; the arrangement of the building ownership certificates for the resettlement units of the building located at Lot No. 2 will be completed and the transfer of the titles has begun; the total outstanding sales receivable of RMB120,000,000 (approximately HK\$115,385,000) stipulated in the original sale and purchase agreement of the land at Lot No. 4 will be received; the transfer of title of the land and the building ownership certificates of the property at Lot No. 5 to China United Telecom will be completed and accordingly, we will receive the amount of RMB69,244,000 (approximately HK\$66,581,000) as stated in the sale and purchase agreement; the processes of maintenance, operations and costs recognition of Lot No. 9 will be completed and the sales will be carried out; at this preliminary stage, the transferee of the sale of the land at Lot No. 10 will be confirmed and the procedures for the transfer will be carried out.



ASSETS AND CHARGES

The total assets of the Group decreased from HK\$2,184,286,000 as at 31st December 2005 to HK\$2,171,428,000 as at 30th June 2006. Net assets of the Group increased from HK\$1,823,437,000, as at 31st December 2005 to HK\$1,846,786,000 as at 30th June 2006. As at 30th June 2006, the amount of the Group's bank borrowings, which is secured by a pledge of property, decreased from HK\$89,689,000 as at 31st December 2005 to HK\$66,962,000 as at 30th June 2006.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group decreased from HK\$360,849,000 at 31st December 2005 to HK\$324,642,000 at 30th June 2006. The Group had cash at banks and in hand of HK\$11,788,000 at 30th June 2006 (2005: HK\$16,727,000). The ratio of total liabilities to total assets was approximately 15% (2005: 16%). At 30th June 2006, the aggregate amount of bank loans and bank overdrafts was HK\$66,962,000 (2005: HK\$89,689,000) and the total equity was HK\$1,846,786,000 (2005: HK\$1,823,437,000), and therefore the capital gearing ratio was 4% (2005: 5%). The bank overdraft facility was reduced from HK\$45,000,000 to HK\$36,000,000 on 28th February 2006. As from 30th May 2006, it has been further reduced to HK\$26,000,000 (2005: HK\$45,000,000) of which HK\$16,097,000 (2005: HK\$38,823,000) has been utilised as at 30th June 2006. Currently, the Group has arranged for new banking facilities of a total sum of HK\$50,000,000, which has been approved by a new banker. As at 30th June 2006, the Group's current assets, amounting to HK\$679,983,000 (2005: HK\$740,094,000), exceeded its current liabilities by HK\$410,122,000 (2005: HK\$428,182,000). Given that Dan Yao has applied for liquidation as mentioned above and no payments except for minor liquidation expenses will be made by Dan Yao, the other operations of the Group can generate sufficient cash flows to enable the Group to settle its remaining liabilities as and when they fall due.

For the six months ended 30th June 2006, the Group has no exposure to fluctuations in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 30th June 2006, the Group, excluding associated companies, has 51 employees of which 39 were employed in Hong Kong.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under defined contribution provident fund scheme and mandatory provident fund scheme.

PROSPECTS

The Group is continuously adjusting its business structure and strategy at this stage in pursuit of the stability of financial position of the Group. As the current property market condition in Hong Kong is improving, such circumstance will be beneficial to the Group's property holding in Hong Kong.

The Group will continually apply a stable financial policy by increasing the operating revenues and tightening its control in costs and expenses on one hand; and by improving its corporate governance on the other. In addition, the management is considering investing new projects with higher returns for its business development.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th June 2006, the interests and short positions of each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be 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 (the "Model Code"):

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Ordinary shares of the Company at HK\$0.5 each

Name of Director	Number of ordinary shares beneficially held				Total Interest
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
DAI Xiaoming (Note)	23,000,000	—	388,720,881	—	411,720,881

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the six months ended 30th June 2006 was the Company, its subsidiaries, its associates, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised any such right during the six months ended 30th June 2006.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

I. Aggregate long position in the shares and underlying shares of the Company

As at 30th June 2006, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the Company's issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836,971	8.35

Notes:

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.
- (2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.
- (4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.



2. Aggregate short position in the shares and underlying shares of the Company

As at 30th June 2006, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 30th June 2006, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

ADVANCE TO AN ENTITY

In accordance with Rule 13.20 of the Listing Rules, the Directors of the Company reported on details of the advance made by the Group for the benefit of the following entity as at 30th June 2006, which exceeded 8% of the total assets of the Group as at 30th June 2006 as follows:

Name of entity	Date of advance	Percentage of equity held by the Group	Remaining amount of the advance HK\$'000
Zeta Estates Limited ("Zeta")	1st July 1988	33 1/3%	264,646

The advance is unsecured, interest-free as from 1st January 2004 and has no fixed terms of repayment. Repayment of the advance is made by Zeta on monthly basis.

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

In accordance to Rule 13.16 of the Listing Rules, the unaudited proforma combined balance sheet of financial assistance to the affiliated companies of the Group and the interest attributable to the Group as at 30th June 2006 (the latest practicable date) are set out as follows:

Description	Combined HK\$'000	Attributable to the Group HK\$'000
Investment properties	3,552,828	1,183,638
Properties under development for sale	372,734	109,584
Properties, plant and equipment	3,758	1,105
Long-term receivable	32,108	9,464
Current assets	276,158	82,989
Current liabilities	(911,453)	(300,959)
Non-current liabilities	(707,872)	(208,114)
Net assets	<u>2,618,261</u>	<u>877,707</u>



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2006.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix I0 of the Rules Governing the Listing of Securities (the "Listing Rules") as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the Model Code and all Directors confirmed that they have complied with the Model Code for the period ended 30th June 2006.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees have been sent to the relevant employees of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Group's interim report for the six months ended 30th June 2006 has been reviewed by the Audit Committee of the Company.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework. The Company has complied with all the code provisions as set out in Appendix I4 of the Code on Corporate Governance Practices of the Listing Rules throughout the accounting period for the six months ended 30th June 2006, except for the following deviations:

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of Chairman and Chief Executive are still managed by the same individual, Mr. Dai Xiaoming. Since the Group has not completed the adjustments of its business structure and strategy, the roles of Chairman and Chief Executive have not been separated in order to uphold the effectiveness and efficiency of the management and operations of the Group. The Board would review this arrangement at regular intervals.

By Order of the Board
Fung Man Yuen
Company Secretary

Hong Kong, 8th September 2006