



G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 286)

Interim Report
For The Six Months
Ended 30th June, 2006

CORPORATE INFORMATION

Directors

Executive Directors:

Halina Hung, Shi-wei (*Chairman*)
Leung, Wing-pong (*Chief Executive Officer*)
Kong, Chi-ming (*Deputy Chairman*)
Aaron Tam, Chong-cheong*

* *Resigned as Chairman and Executive Director with effect from 11th August, 2006.*

Independent Non-executive Directors:

Leung, Yun-fai
Lam, Yat-fai
David Chain, Chi-woo

Audit Committee

Lam, Yat-fai (*Chairman*)
Leung, Yun-fai
David Chain, Chi-woo

Remuneration Committee

Leung, Yun-fai (*Chairman*)
Lam, Yat-fai
David Chain, Chi-woo

Company Secretary and Qualified Accountant

Winnie Leung, Fung-choi

Auditors

Deloitte Touche Tohmatsu

Solicitors

Sit, Fung, Kwong & Shum
Sidley Austin

Principal Bankers

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

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

Branch Share Registrars and Transfer Office

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

26th Floor, MassMutual Tower
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Stock Code

286

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RESULTS

The Board of Directors of G-Prop (Holdings) Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2006, together with the comparative figures for the six months ended 30th June, 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

		Six months ended 30th June,	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(As restated)
Turnover	3	1,803	2,298
Direct costs		(1,053)	(922)
		750	1,376
Surplus arising on revaluation of investment properties		2,560	3,170
Other operating income	4	942	143
Administrative expenses		(1,960)	(1,546)
Finance costs		–	(159)
Profit before taxation	5	2,292	2,984
Taxation	6	(451)	(570)
Profit attributable to the equity holders of the Company for the period		1,841	2,414
Earnings per share			
– basic	7	HK\$0.0023	HK\$0.0031
– diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
At 30th June, 2006

	<i>Notes</i>	30th June, 2006 (Unaudited) HK\$'000	31st December, 2005 (Audited) HK\$'000
Non-current Assets			
Investment properties	8	110,280	107,720
Goodwill		–	–
Intangible asset		–	–
Interests in associates		–	–
Interests in jointly controlled entities		–	–
Available-for-sales financial assets		220	220
		110,500	107,940
Current Assets			
Trade and other receivables	9	573	608
Deposits stake held by solicitors		13,560	–
Bank balances and cash		19,384	27,559
		33,517	28,167
Current Liabilities			
Trade and other payables	10	2,994	3,132
Deposits received on disposal of investment properties		13,560	–
Amounts due to fellow subsidiaries		283	146
		16,837	3,278
Net Current Assets		16,680	24,889
		127,180	132,829
Capital and Reserves			
Share capital	11	7,940	7,940
Share premium and reserves		117,758	123,858
Equity attributable to the equity holders of the Company		125,698	131,798
Non-current Liabilities			
Deferred tax liabilities		1,482	1,031
		127,180	132,829

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June, 2006

	Six months ended 30th June, 2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(712)	(297)
Net cash from investing activities	478	120
Net cash (used in) from financing activities	(7,941)	2,397
Net (decrease) increase in cash and cash equivalents	(8,175)	2,220
Cash and cash equivalents at the beginning of period	27,559	15,791
Cash and cash equivalents at the end of period	<u>19,384</u>	<u>18,011</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2006

	Attributable to the equity holders of the Company				
	Share capital	Share premium	Translation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2005 (As restated)	6,912	–	234	91,768	98,914
Share issued	1,028	25,186	–	–	26,214
Transaction costs attributable to issue of new shares	–	(422)	–	–	(422)
Profit for the period (As restated)	–	–	–	2,414	2,414
At 30th June, 2005 (As restated)	7,940	24,764	234	94,182	127,120
Profit for the period	–	–	–	4,678	4,678
At 31st December, 2005	7,940	24,764	234	98,860	131,798
Final dividends paid	–	–	–	(7,941)	(7,941)
Profit for the period	–	–	–	1,841	1,841
At 30th June, 2006	<u>7,940</u>	<u>24,764</u>	<u>234</u>	<u>92,760</u>	<u>125,698</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

1. Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention except for the investment properties which are measured at fair values.

2. Principal accounting policies

The accounting policies and methods of computation used are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st December, 2005.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments to, and interpretations of, Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting period are prepared and presented.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Group anticipate that application of these new HKFRSs will have no material impact on how the results and financial position of the Group are prepared and presented.

HK (IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economics</i> ¹
HK (IFRIC)-Int 8	Scope of HKFRS 2 ²
HK (IFRIC)-Int 9	Reassessment of Embedded Derivates ³
HKFRS 7	Financial Instruments: Disclosures ⁴
HKAS 1 (Amendment)	Presentation of Financial Statements “Capital Disclosures” ⁴

¹ Effective for annual periods beginning on or after 1st March, 2006

² Effective for annual periods beginning on or after 1st May, 2006

³ Effective for annual periods beginning on or after 1st June, 2006

⁴ Effective for annual periods beginning on or after 1st January, 2007

3. Turnover and segment information

Business segments

For management purposes, the Group is currently organised into two operating divisions – (i) investment and finance and (ii) properties investment. These divisions are the basis on which the Group reports its primary segment information. The segments of property rental and leasing of equipment and trading of properties held for resale for the six months ended 30th June, 2005 were grouped into the business segment of properties investment in order to in line with the presentation for the current period. The business segments of energy saving machine (manufacturing and trading of energy saving machine) and other investments (trading of investment in securities) have not presented because of these segments for the period did not have significant contribution to the Group.

Principal activities are as follows:

Investment and finance	–	investing and financing activities
Properties investment	–	property rental and leasing of equipment and trading of properties held for resale

3. Turnover and segment information (cont'd)

Business segments (cont'd)

Segment information about these businesses is presented below:

For the six months ended 30th June, 2006

	Investment and finance HK\$'000	Properties investment HK\$'000	Consolidated HK\$'000
Income statement:			
Turnover			
External sales	<u>209</u>	<u>1,594</u>	<u>1,803</u>
Segment result	<u>462</u>	<u>3,137</u>	3,599
Interest income			478
Unallocated corporate expenses			(1,785)
Finance costs			—
Profit before taxation			2,292
Taxation			<u>(451)</u>
Profit for the period			<u>1,841</u>

For the six months ended 30th June, 2005

	Investment and finance HK\$'000	Properties investment HK\$'000	Consolidated HK\$'000 (As restated)
Income statement:			
Turnover			
External sales	<u>195</u>	<u>2,103</u>	<u>2,298</u>
Segment result	<u>195</u>	<u>4,294</u>	4,489
Interest income			120
Unallocated corporate expenses			(1,466)
Finance costs			<u>(159)</u>
Profit before taxation			2,984
Taxation			<u>(570)</u>
Profit for the period			<u>2,414</u>

Geographical segments

The Group's operations are principally located in Hong Kong. All identifiable assets of the Group are located in Hong Kong. Accordingly, no geographical segment is presented.

4. Other operating income

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Interest income, other than from loans receivable	478	120
Write back of allowance for bad and doubtful debts	253	–
Gain on disposal of an associated company	105	–
Others	106	23
	<u>942</u>	<u>143</u>

5. Profit before taxation

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Staff costs:		
Salaries and other benefits, excluding directors	623	461
Retirement benefits scheme contributions, excluding directors and after forfeited contribution of HK\$8,000 (1st January, 2005 to 30th June, 2005: Nil)	29	18
	<u>652</u>	<u>479</u>
and after crediting:		
Property rental income, net of outgoings of HK\$570,000 (1st January, 2005 to 30th June, 2005: HK\$556,000)	<u>1,024</u>	<u>1,547</u>

6. Taxation

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
		(As restated)
The charge comprises:		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax	–	–
Deferred taxation	451	570
	<u>451</u>	<u>570</u>

No Provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2006 and 30th June, 2005 as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses for the periods or have tax losses brought forward to set off assessable profit for the periods.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$1,841,000 (1st January, 2005 to 30th June, 2005: HK\$2,414,000 as restated) and on the number of ordinary shares in issue of 794,057,800 during the period (1st January, 2005 to 30th June, 2005: on the weighted average number of ordinary shares in issue of 768,499,789).

For the period ended 30th June, 2006 and 30th June, 2005, no diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue.

8. Investment properties

The Group's investment properties were revalued at 30th June, 2006 by the Directors, at HK\$110.3 million on an open market value basis with reference to a review report of the Group's investment properties prepared by independent qualified professional surveyors not connected with the Group. The review report was prepared on the similar basis as the valuation report as at year ended 31st December, 2005. The surplus on revaluation of investment properties of HK\$2.6 million was credited to the consolidated income statement.

	<i>HK\$'000</i>
Fair value	
At 1st January, 2006	107,720
Increase in fair value and recognised in income statement	<u>2,560</u>
At 30th June, 2006	<u><u>110,280</u></u>

On 27th February, 2006, the Group entered into a preliminary sale and purchase agreement to dispose of investment properties with carrying value of approximately HK\$68.1 million as at 31st December, 2005. The formal sale and purchase agreement was signed on 13th March, 2006. Completion of the sale and purchase of the investment properties is expected to take place in September 2006.

9. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK\$184,000 (31st December, 2005: HK\$182,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings. Its aged analysis at the balance sheet date is as follows:

	30th June, 2006	31st December, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	145	172
31 – 60 days	34	3
Over 60 days	<u>5</u>	<u>7</u>
	<u><u>184</u></u>	<u><u>182</u></u>

10. Trade and other payables

Included in trade and other payables of the Group are trade creditors of HK\$35,000 (31st December, 2005: HK\$146,000). Its aged analysis at the balance sheet date is as follows:

	30th June, 2006	31st December, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	26	28
31 – 60 days	1	10
Over 60 days	<u>8</u>	<u>108</u>
	<u><u>35</u></u>	<u><u>146</u></u>

11. Share capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 1st January, 2005, 31st December, 2005 and 30th June, 2006 (HK\$0.01 each)	<u>80,000,000,000</u>	<u>800,000</u>
Issued and fully paid:		
Ordinary shares		
At 1st January, 2005 (HK\$0.01 each)	691,257,800	6,912
– issue of shares	<u>102,800,000</u>	<u>1,028</u>
At 31st December, 2005 and 30th June, 2006 (HK\$0.01 each)	<u>794,057,800</u>	<u>7,940</u>

Pursuant to a share placing agreement, the Company issued a total of 102,800,000 ordinary shares at a price of HK\$0.255 per share in February 2005. The net proceeds from the share placing was HK\$25.8 million of which HK\$23.0 million was used to repay the secured borrowings from a fellow subsidiary and the balance was used as general working capital of the Group.

12. Related party transactions

During the period ended 30th June, 2006:

- (a) The Group received rental income of approximately HK\$59,000 (1st January, 2005 to 30th June, 2005: HK\$59,000) from The House of Kwong Sang Hong Limited, an associated company of the ultimate holding company, for the lease of Shop No.147 on the First Floor of Yuen Long New Place, Golden Hall Building, Yuen Long, New Territories;
- (b) Rental expenses of approximately HK\$27,000 (1st January, 2005 to 30th June, 2005: HK\$21,000) were paid/payable to Chinese Estates, Limited, a fellow subsidiary of the Group, for the lease of an office premise at Room 101 on First Floor, MassMutual Tower, 38 Gloucester Road, Wanchai.

13. Comparative figures

Certain comparative figures have been restated upon the adoption of new HKFRSs and to conform to the presentation of the current period.

INTERIM DIVIDEND

The Board of Directors resolved not to recommend the payment of an interim dividend for the six months ended 30th June, 2006 (six months ended 30th June, 2005: Nil).

BUSINESS REVIEW

Results

Turnover for the period was HK\$1.8 million, representing a decrease of 21.5% when compared with the last corresponding period. The decrease in turnover was mainly caused by decrease in rental income for the current period.

Profit attributable to the equity holders of the Company for the period was HK\$1.8 million and was decreased by HK\$0.6 million or 23.7% when compared with the last corresponding period. The surplus on revaluation of investment properties for the current and the last corresponding period were HK\$2.6 million and HK\$3.2 million respectively.

BUSINESS REVIEW (cont'd)

Property rental income remains the core source of revenue. All rentals of the Group were derived from Golden Hall Building in Yuen Long and Chung Kiu Godown Building in Kwai Chung. Benefiting from an upturn of the economy, renewal of various tenancies of Chung Kiu Godown Building during the period was satisfactory.

Golden Hall Building, Yuen Long

The Group owns the 3-storey shopping arcade which is known as Yuen Long New Place and two residential units on the 4th floor of Golden Hall Building. The shopping arcade has a total gross floor area of approximately 19,127 square feet. On 27th February, 2006, the Group entered into a preliminary sale and purchase agreement to dispose of these investment properties with carrying value of approximately HK\$68.1 million as at 31st December, 2005. The formal sale and purchase agreement was signed on 13th March, 2006. Completion of the sale and purchase of the investment properties is expected to take place in September 2006. As of 30th June, 2006, the shopping arcade was approximately 68% let.

Chung Kiu Godown Building, Kwai Chung

The Group owns eight levels with a total gross floor area of approximately 118,561 square feet and one car parking space on the ground floor of this 24-storey industrial building located in Kwai Chung, New Territories. As of 30th June, 2006, the property was approximately 89% let.

FINANCIAL REVIEW

Net Asset Value

As at 30th June, 2006, the Group's total net asset was approximately HK\$125.7 million (31st December, 2005: HK\$131.8 million) after payment of the final dividends for the year ended 31st December, 2005 of HK\$7.9 million during the period. The number of ordinary shares in issue as at 30th June, 2006 and 31st December, 2005 was 794,057,800. Net asset value per share as at 30th June, 2006 was HK\$0.158 (31st December, 2005: HK\$0.166).

Equity

The number of ordinary shares in issue as at 30th June, 2006 and 31st December, 2005 was 794,057,800.

Debt and Gearing

The Group did not have borrowings as at 30th June, 2006 and 31st December, 2005. Cash and deposits at bank amounted to HK\$19.4 million (31st December, 2005: HK\$27.6 million). As at 30th June, 2006 and 31st December, 2005, the Group did not have any financial instruments used for hedging purpose. All assets and investments of the Group were denominated in Hong Kong dollars.

Pledge of Assets

As at 30th June, 2006 and 31st December, 2005, the Group did not have any assets pledged.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30th June, 2006 and 31st December, 2005.

FINANCIAL REVIEW (cont'd)

Financial and Interest Income/Expenses

Interest income was included in turnover and other operating income. Interest received, other than from loans receivable, was HK\$0.5 million (1st January, 2005 to 30th June, 2005: HK\$0.1 million). As the Group did not have borrowings as at 30th June, 2006, no finance cost was recorded for the period (1st January, 2005 to 30th June, 2005: HK\$0.2 million). Finance costs for the six months ended 30th June, 2005 were mainly interest expenses on the secured borrowings from a fellow subsidiary which were fully repaid in February 2005.

Remuneration Policies

As at 30th June 2006, the Group employed a total of 4 staff (30th June, 2005: 2 staff). Total staff cost for the period was approximately HK\$0.7 million (1st January, 2005 to 30th June, 2005: HK\$0.5 million) (excluding directors' remuneration). Remuneration package comprised salary and year-end bonuses based on individual merits.

PROSPECTS

The existing eight levels of Chung Kiu Godown Building in Kwai Chung continue to generate stable and recurrent income for the Group. The Group now has a cash balance of approximately HK\$19.4 million. Taking into account the net proceeds of approximately HK\$66.8 million from the disposal of the 3-storey shopping arcade and two residential flats of Golden Hall Building in Yuen Long which is expected to be completed in September 2006, the Group will have cash balance of approximately HK\$86.2 million and no material liability. Making use of these funds, the Group will continue to explore suitable investments available to the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY

At 30th June, 2006, none of the directors, chief executives nor their associates, had any interests or short positions in any shares, underlying shares or rights to subscribe for the securities of the Company and its associated corporations, as recorded in register maintained by the Company under Section 352 of the Securities and Futures Ordinance (the "SFO"), or 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 (the "Model Code") contained in the Listing Rules.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30th June, 2006, as far as are known to the Directors, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long Positions in shares

Name	Number of Shares	Capacity	Note	Percentage of Shareholding %
Million Point Limited	170,000,000	Beneficial owner	1	21.41
Cosmos Success Limited	170,000,000	Interest of a controlled corporation	1	21.41
Chinese Estates, Limited	170,000,000	Interest of a controlled corporation	1	21.41
Luckpoint Investment Limited	76,877,685	Beneficial owner	2	9.68
China Entertainment and Land Investment Company, Limited	76,877,685	Interest of a controlled corporation	2	9.68
Paul Y. Holdings Company Limited	150,981,076	Beneficial owner and interest of a controlled corporation	3 & 4	19.01
Chinese Estates Holdings Limited	397,858,761	Interest of controlled corporations	1, 2, 3 & 4	50.10
Mr. Joseph Lau, Luen-hung	397,858,761	Interest of a controlled corporation	5	50.10
Global King Ltd.	397,858,761	Interest of a controlled corporation	6	50.10
GZ Trust Corporation	397,858,761	Interest of a controlled corporation	6	50.10
Hutchison International Limited	100,887,912	Beneficial owner and interest of controlled corporations	7	12.70
Hutchison Whampoa Limited	100,887,912	Interest of controlled corporations	7	12.70
Cheung Kong (Holdings) Limited	100,887,912	Interest of controlled corporations	7	12.70

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO (cont'd)

Long Positions in shares (cont'd)

Name	Number of Shares	Capacity	<i>Note</i>	Percentage of Shareholding %
Mr. Li Ka-shing	100,887,912	Founder of discretionary trusts and interest of controlled corporations	7	12.70
Li Ka-Shing Unity Trustcorp Limited	100,887,912	Trustee and beneficiary of trust	7	12.70
Li Ka-Shing Unity Trustee Corporation Limited	100,887,912	Trustee and beneficiary of trust	7	12.70
Li Ka-Shing Unity Trustee Company Limited	100,887,912	Trustee	7	12.70

Notes:

1. Million Point Limited ("Million Point") was the beneficial owner of 170,000,000 shares. Each of Chinese Estates Holdings Limited ("Chinese Estates"), Chinese Estates, Limited and Cosmos Success Limited was deemed to be interested in the same parcel of shares in which Million Point was interested since Chinese Estates owned the entire issued share capital of Chinese Estates, Limited, which in turn owned the entire issued share capital of Cosmos Success Limited, which in turn owned the entire issued share capital of Million Point.
2. Luckpoint Investment Limited ("Luckpoint") was the beneficial owner of 76,877,685 shares. Each of Chinese Estates and China Entertainment and Land Investment Company, Limited ("CELI") was deemed to be interested in the same parcel of shares in which Luckpoint was interested since Chinese Estates owned the entire issued share capital of CELI, which in turn owned the entire issued share capital of Luckpoint.
3. Paul Y. Holdings Company Limited ("Paul Y.") was the beneficial owner of 113,818,911 shares. Chinese Estates was deemed to be interested in the same parcel of shares in which Paul Y. was interested since Chinese Estates owned the entire issued share capital of Paul Y..

In addition, Great Empire International Ltd. ("Great Empire") was the beneficial owner of 37,162,165 shares. Each of Chinese Estates and Paul Y. was deemed to be interested in the same parcel of shares in which Great Empire was interested since Chinese Estates owned the entire issued share capital of Paul Y., which owned the entire issued share capital of Goldstance Group Limited, which in turn owned the entire issued share capital of Great Empire.

4. Ms. Halina Hung, Shi-wei, Mr. Leung, Wing-pong, Mr. Kong, Chi-ming and Mr. Aaron Tam, Chong-cheong (resigned as Chairman and Executive Director with effect from 11th August 2006), directors of the Company, are also employees of subsidiaries of Chinese Estates and/or Paul Y.. These subsidiaries are not themselves substantial shareholders of the Company.
5. Mr. Joseph Lau, Luen-hung, by virtue of his 54.44% interest in the issued share capital of Chinese Estates, was deemed to be interested in the same interests stated against Chinese Estates under the provisions of the SFO.
6. GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King Ltd. was the trustee. Global King Ltd. was entitled to exercise more than one-third of the voting power at general meetings of Chinese Estates. Accordingly, Global King Ltd. and GZ Trust Corporation were deemed to be interested in the same interests stated against Chinese Estates.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO (cont'd)

Long Positions in shares (cont'd)

Notes: (cont'd)

7. These shares comprised 62,899,924 shares beneficially owned by Hutchison International Limited (“HIL”) and 37,987,988 shares beneficially owned by Koga Limited (“Koga”).

HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited (“HWL”). By virtue of the SFO, HWL was deemed to be interested in the same parcel of such 62,899,924 shares which HIL was interested.

Koga is a wholly-owned subsidiary of Cheung Kong Infrastructure (BVI) Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Infrastructure Holdings Limited (“CKI”). CKI is a subsidiary of Hutchison Infrastructure Holdings Limited, which in turn is a wholly-owned subsidiary of HIL. By virtue of the SFO, each of HIL and HWL was deemed to be interested in the same parcels of such 37,987,988 shares which Koga was interested.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing (“Mr. Li”), Mr. Li Tzar-kuoi, Victor and Mr. Li Tzar-kai, Richard was interested in one-third of the entire issued share capital, owned 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 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Certain subsidiaries of CKH were 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 owned 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 UT1.

Mr. Li was the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. By virtue of the SFO, each of Mr. Li, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 100,887,912 shares which HWL was interested.

All the interests stated above represent long positions and interest in shares. As at 30th June, 2006, no short position was recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted share option scheme on 15th February, 2002 (the “2002 Scheme”). Details of the 2002 Scheme are set out in the published Annual Report of the Company for the year ended 31st December, 2005. There were no outstanding options at the beginning and at the end of the period. No options were granted, exercised, cancelled and lapsed during the six months ended 30th June, 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30th June, 2006, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities.

CORPORATE GOVERNANCE

Audit Committee

The Audit Committee comprises Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo. All of them are independent non-executive directors of the Company. The Group's interim report for the period ended 30th June, 2006 was unaudited, but has been reviewed by the Audit Committee. In addition, the Audit Committee has reviewed with the management and reported to the Board the effectiveness of the internal control system of the Group.

Corporate Governance Practices

The Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as laid down in Appendix 14 of the Listing Rules. Save as disclosed below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not any part of the accounting period covered by the 2006 interim financial statements, in compliance with the Code.

Under code provision A.4.1 of Appendix 14 of the Listing Rules, non-executive directors should be appointed for specific terms and subject to re-election. The independent non-executive directors of the Company, namely Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo, were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's Bye-laws. Each of them is entitled to a remuneration of HK\$60,000 per annum which was determined by the Board with reference to their duties and responsibilities and recommendation of the Remuneration Committee. Meeting the same objective on re-election at regular intervals as the code provision, the Company will ensure the retirement of each Director by rotation at least once every three years.

Internal Control

The Board, through the Audit Committee, has conducted an interim review on the internal control system of the Group and satisfied that the internal control system works efficiently and adequately to safeguard the assets of the Group throughout the period under review.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all the Directors whether they have complied with the required standard set out in the Model Code regarding directors' securities transactions and all the Directors confirmed that they have complied with the Model Code throughout the period.

APPRECIATION

I take this opportunity to thank our shareholders for their continued support and my fellow directors and our staff for their contributions to the Group.

On behalf of the Board
Aaron Tam, Chong-cheong
Chairman

Hong Kong, 7th August, 2006