



**G·PROP**  
(HOLDINGS) LIMITED

# **G-PROP (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 286)**

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**Interim Report  
For The Six Months  
Ended 30 June 2009**

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## **CORPORATE INFORMATION**

### **Directors**

#### *Executive Directors:*

Kong, Chi-ming (*Deputy Chairman*)  
Leung, Wing-pong (*Chief Executive Officer*)

#### *Independent Non-executive Directors:*

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

### **Audit Committee**

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

### **Remuneration Committee**

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

### **Company Secretary**

Lam, Kwong-wai

### **Auditors**

HLB Hodgson Impey Cheng

### **Solicitors**

Sit, Fung, Kwong & Shum  
Chiu & Partners

### **Principal Bankers**

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

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### **Principal Office**

26th Floor, MassMutual Tower  
38 Gloucester Road  
Wanchai, Hong Kong

### **Principal Registrar and Transfer Office**

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

### **Branch Registrar and Transfer Office**

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

### **Website**

<http://www.g-prop.com.hk>

### **Stock Code**

286

### **Board Lot**

2,000 Shares

### **Investor Relations**

For enquiries relating to investor relations,  
please contact:

Investor Relations Manager

Tel: (852) 2866 6999

Fax: (852) 2866 2822

(852) 2866 2833

E-mail: [investor.relations@chineseestates.com](mailto:investor.relations@chineseestates.com)

## UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of G-Prop (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2009 (the “**Period**”) together with the comparative figures for the corresponding period in 2008 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		<b>For six months ended 30 June</b>	
		<b>2009</b>	2008
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>			
Revenue	3	4,829	1,005
Costs of sales		<u>(91)</u>	<u>(133)</u>
Gross profit		4,738	872
Other operating income	5	12	2,634
Administrative expenses		(1,482)	(5,369)
Finance cost		–	(5,892)
Fair value change on investment properties		<u>2,700</u>	<u>2,500</u>
Profit/(loss) before tax	6	5,968	(5,255)
Income tax (expense)/credit	7	<u>(446)</u>	<u>773</u>
Profit/(Loss) for the period from continuing operations		5,522	(4,482)
<b>Discontinued operation</b>			
Loss for the period from discontinued operations		<u>–</u>	<u>(1,652)</u>
<b>Profit/(loss) for the period attributable to equity holders of the Company</b>			
		<u>5,522</u>	<u>(6,134)</u>
Other comprehensive income:			
Fair value change on available-for-sale financial assets		17,555	(1,834)
Change on translation reserve		–	11,533
Effect on change of tax rate		<u>–</u>	<u>367</u>
Other comprehensive income for the period (net of tax)		17,555	10,066
<b>Total comprehensive income attributable to equity holders of the Company</b>			
		<u>23,077</u>	<u>3,932</u>
<b>Interim Dividend</b>			
		<u>Nil</u>	<u>Nil</u>
<b>Earnings/(loss) per share</b>			
<b>From continuing and discontinued operations</b>			
Basic (HK cents per share)	8	<u>0.2</u>	<u>(0.3)</u>
Diluted (HK cents per share)		<u>0.2</u>	<u>(0.3)</u>
<b>From continuing operation</b>			
Basic (HK cents per share)	8	<u>0.2</u>	<u>(0.2)</u>
Diluted (HK cents per share)		<u>0.2</u>	<u>(0.2)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties		30,000	27,300
Goodwill		2,939	2,939
Available-for-sale financial assets	9	146,746	127,704
		179,685	157,943
<b>Current assets</b>			
Debtors, deposits and prepayments		712	1,839
Loan to a fellow subsidiary	10	200,000	136,000
Tax recoverable		106	106
Time deposits, bank balances and cash		90,376	5,442
		291,194	143,387
<b>Total assets</b>		470,879	301,330
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share Capital		24,282	20,282
Share Premium		351,638	210,168
Translation Reserve		234	234
Investments Revaluation Reserve		(13,483)	(31,038)
Retained Profits		103,254	97,732
<b>Total equity</b>		465,925	297,378
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,471	2,025
<b>Current liabilities</b>			
Creditors and accruals		1,434	1,361
Deposits and receipts in advance		425	398
Tax payable		24	24
Amounts due to fellow subsidiaries		600	144
		2,483	1,927
<b>Total liabilities</b>		4,954	3,952
<b>Total equity and liabilities</b>		470,879	301,330

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2009*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008 (audited)	20,282	210,168	29,867	—	2,352	102,990	365,659
Loss for the period	—	—	—	—	—	(6,134)	(6,134)
Other comprehensive income	—	—	367	(1,834)	11,533	—	10,066
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>367</b>	<b>(1,834)</b>	<b>11,533</b>	<b>(6,134)</b>	<b>3,932</b>
At 30 June 2008 (unaudited)	20,282	210,168	30,234	(1,834)	13,885	96,856	369,591
Profit for the period	—	—	—	—	—	1,280	1,280
Other comprehensive income	—	—	—	(29,204)	(13,651)	—	(42,855)
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(29,204)</b>	<b>(13,651)</b>	<b>1,280</b>	<b>(41,575)</b>
Redemption of convertible bonds	—	—	(30,234)	—	—	(404)	(30,638)
At 31 December 2008 (audited)	20,282	210,168	—	(31,038)	234	97,732	297,378
Profit for the period	—	—	—	—	—	5,522	5,522
Other comprehensive income	—	—	—	17,555	—	—	17,555
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17,555</b>	<b>—</b>	<b>5,522</b>	<b>23,077</b>
Share premium on issue and allotment of shares	4,000	141,470	—	—	—	—	145,470
<b>At 30 June 2009 (unaudited)</b>	<b><u>24,282</u></b>	<b><u>351,638</u></b>	<b><u>—</u></b>	<b><u>(13,483)</u></b>	<b><u>234</u></b>	<b><u>103,254</u></b>	<b><u>465,925</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	For six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	971	111,089
Net cash used in investing activities	(60,018)	(172,641)
Net cash generated from financing activities	145,470	—
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	86,423	(61,552)
Effect of foreign exchange rate changes	(1,489)	7,258
Cash and cash equivalents at the beginning of the period	5,442	354,015
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>90,376</u>	<u>299,721</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

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

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

### 2. Application of new and revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “**new HKFRSs**”) issued by the HKICPA, which are relevant to its operation and effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the condensed consolidated financial statements are set out as follows:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2008*
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosure about Financial Instruments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

\* Except for the amendments to HKFRS 5 will be applied from 1 January 2010

HKFRS 8, “Operating segments”, was early adopted by the Group in 2008. HKFRS 8 replaces HKAS 14, “Segment reporting”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

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 except the presentation requirements of HKAS 1 (Revised). Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 <sup>2</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRS <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HK(IFRIC) 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>3</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010 (unless specified)

<sup>3</sup> Effective for annual periods ending on or after 30 June 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

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

### 3. Revenue

Revenue represents the net amounts received and receivable from third parties and is summarised as follows:

	For six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Rental income	847	939
Interest income from investment and finance	3,982	66
	<u>4,829</u>	<u>1,005</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.

For management purposes, the Group currently engaged in two operating divisions – (i) investment and finance; and (ii) properties investment. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Investment and finance – Investing and financing activities  
 Properties investment – Property leasing

The Group's measurement methods used to determine reported segment profit or loss remain unchanged since its first adoption.

Operating segment information is presented below:

*The segment results for the period ended 30 June 2009*

	Investment and finance (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Revenue</b>			
Revenue from external customers			
– Hong Kong	<u>3,982</u>	<u>847</u>	<u>4,829</u>
	<u>3,982</u>	<u>847</u>	<u>4,829</u>
<b>Segment results for reportable segments</b>			
– Hong Kong	<u>3,985</u>	<u>816</u>	<u>4,801</u>
	<u>3,985</u>	<u>816</u>	<u>4,801</u>
Unallocated corporate expenses			(1,523)
Other losses			<u>(10)</u>
Profit before tax			3,268
Income tax			<u>(446)</u>
Core Profit			2,822
Major non-cash item			
– Fair value changes on investment properties			<u>2,700</u>
Profit for the period			<u>5,522</u>

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

### 4. Operating segments (cont'd)

*The segment assets and liabilities as at 30 June 2009*

	Investment and finance (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
<b>Assets</b>			
Segment assets			
for reportable segments			
– Hong Kong	<u>436,390</u>	<u>34,383</u>	<u>470,773</u>
	<u>436,390</u>	<u>34,383</u>	470,773
Unallocated corporate assets			<u>106</u>
Consolidated total assets			<u>470,879</u>
<b>Liabilities</b>			
Segment liabilities			
for reportable segments			
– Hong Kong	<u>(1,950)</u>	<u>(510)</u>	<u>(2,460)</u>
	<u>(1,950)</u>	<u>(510)</u>	(2,460)
Unallocated corporate liabilities			<u>(2,494)</u>
Consolidated total liabilities			<u>(4,954)</u>

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

### 4. Operating segments (cont'd)

The segment results for the period ended 30 June 2008

	Continuing operations			Discontinued operation	Consolidated (Unaudited) HK\$'000
	Investment and finance (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Methanol (Unaudited) HK\$'000	
<b>Revenue</b>					
Revenue from external customers					
– Hong Kong	66	939	1,005	–	1,005
– the PRC	–	–	–	–	–
	<u>66</u>	<u>939</u>	<u>1,005</u>	<u>–</u>	<u>1,005</u>
<b>Segment results for reportable segments</b>					
– Hong Kong	62	917	979	–	979
– the PRC	–	–	–	(2,282)	(2,282)
	<u>62</u>	<u>917</u>	979	(2,282)	(1,303)
Interest income			2,514	41	2,555
Unallocated corporate expenses			(5,356)	–	(5,356)
Loss before tax			(1,863)	(2,241)	(4,104)
Income tax			(34)	–	(34)
Core loss			(1,897)	(2,241)	(4,138)
Major non-cash item					
– Depreciation and amortization			–	(8)	(8)
– Fair value changes on investment properties			2,500	–	2,500
– Imputed interest on convertible bonds and deferred tax			(5,085)	597	(4,488)
Loss for the period			<u>(4,482)</u>	<u>(1,652)</u>	<u>(6,134)</u>

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

### 4. Operating segments (cont'd)

The segment assets and liabilities as at 31 December 2008

	Continuing operations			Discontinued operation	Consolidated (Audited) HK\$'000
	Investment and finance (Audited) HK\$'000	Property investment (Audited) HK\$'000	Total (Audited) HK\$'000	Methanol (Audited) HK\$'000	
<b>Assets</b>					
Segment assets for reportable segments					
– Hong Kong	267,049	30,949	297,998	–	297,998
– the PRC	–	–	–	–	–
	<u>267,049</u>	<u>30,949</u>	<u>297,998</u>	<u>–</u>	<u>297,998</u>
Unallocated corporate assets					3,332
Consolidated total assets					<u>301,330</u>
<b>Liabilities</b>					
Segment liabilities for reportable segments					
– Hong Kong	(50)	(2,489)	(2,539)	–	(2,539)
– the PRC	–	–	–	–	–
	<u>(50)</u>	<u>(2,489)</u>	<u>(2,539)</u>	<u>–</u>	<u>(2,539)</u>
Unallocated corporate liabilities					(1,413)
Consolidated total liabilities					<u>(3,952)</u>

### Geographical segments

Except for the discontinued methanol business segment in the PRC reported in 2008, all the Group's operations are located in Hong Kong and all revenue is derived in Hong Kong for both periods.

### 5. Other operating income

	For six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Other operating income included the followings:		
Interest income	4	2,514
Other property income	7	9
Other income	1	111
	<u>12</u>	<u>2,634</u>

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

### 6. Profit/(loss)before tax

Profit/(loss)before tax has been arrived at after charging:

	<b>For six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Staff costs:		
Directors' remuneration	175	145
Salaries and other benefits	447	399
Retirement benefit scheme contributions excluding directors and after deducting forfeited contribution of HK\$nil (2008: HK\$7,000)	18	15
	<u>640</u>	<u>559</u>
Auditors' remuneration	<u>210</u>	<u>180</u>
and after crediting:		
Gross rental income from investment properties	847	939
Less: direct operating expenses from investment properties that generated rental income during the period	(56)	(133)
direct operating expenses from investment properties that did not generate rental income during the period	(35)	–
	<u>756</u>	<u>806</u>
<b>Discontinued operation</b>		
Staff costs:		
Salaries and other benefits	–	732
Retirement benefit scheme contributions excluding directors and after deducting forfeited contribution	–	21
	<u>–</u>	<u>753</u>
Auditors' remuneration	<u>–</u>	<u>5</u>

### 7. Income tax expense/(credit)

	<b>For six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Current tax		
– Hong Kong	–	34
– the PRC	–	–
Deferred tax		
– Current year	446	(807)
	<u>446</u>	<u>(773)</u>
<b>Discontinued operation</b>		
Deferred tax		
– Current year	–	(597)
	<u>446</u>	<u>(1,370)</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Period (2008: 16.5%).

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

### 8. Earnings/(loss) per share

#### From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	<b>For six months ended 30 June</b>	
	<b>2009</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>Earnings/(loss):</b>		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u>5,522</u>	<u>(6,134)</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue	<u>2,428,255,008</u>	<u>2,028,255,008</u>

#### From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to equity holders of the Company is based on the following data:

	<b>For six months ended 30 June</b>	
	<b>2009</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>Earnings/(loss):</b>		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing and discontinued operations	<u>5,522</u>	<u>(6,134)</u>
Add: loss for the period from discontinued operation	<u>–</u>	<u>1,652</u>
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing operations	<u>5,522</u>	<u>(4,482)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>2,428,255,008</u>	<u>2,028,255,008</u>

For the period ended 30 June 2009, diluted earnings per share is the same as the basic earnings per share as there were no diluting events during the Period.

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

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

	<b>30 June 2009</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2008 (Audited) <i>HK\$'000</i>
The Group's available-for-sale financial assets comprise:		
Floating rate notes		
– Listed	<b>38,094</b>	35,262
– Unlisted	<b>108,652</b>	92,442
	<b>146,746</b>	127,704

The listed and unlisted floating rate notes carry floating interest at EURIBOR + 0.2% and LIBOR + 0.3% to LIBOR + 0.35% per annum, payable quarterly. These floating rate notes will mature from 2011 to 2014 and carry effective interest rate from 2.3% to 4.17% per annum.

### 10. Loan to a fellow subsidiary

On 4 November 2008, the Company, as lender, entered into a loan agreement (the “**Loan Agreement**”) with Fancy Mark Limited (“**Fancy Mark**”), as borrower, and Chinese Estates Holdings Limited, as guarantor.

In accordance with the Loan Agreement, the Company agreed to provide a three-year revolving facility of up to HK\$200 million to Fancy Mark. The Company is entitled, by giving not less than one month's (or such shorter period as Fancy Mark may agree) prior notice to Fancy Mark, to demand full or partial repayment of the amount outstanding. Fancy Mark shall also repay the aggregate principal amount outstanding under the facility, all accrued interest thereon and all other amount payable under the Loan Agreement on the date falling three years from the date of the Loan Agreement. The loan to Fancy Mark carries an interest rate of HIBOR plus 1% per annum.

For further details, please refer to the Company's circular dated 25 November 2008.

### 11. Comparative figures

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the Period (2008: Nil).

## **FINANCIAL OPERATION REVIEW**

### **Results**

#### **Continuing Operations**

Turnover for the Period was HK\$4,829,000 (2008: HK\$1,005,000), an increase of HK\$3,824,000 when compared with last year. Gross profit for the Period amounted to HK\$4,738,000 (2008: HK\$872,000), a 4 times increase as compared with last year. The increase in turnover and gross profit was the result in the interest income from floating rate notes of HK\$3,136,000 (2008: HK\$66,000) and loan to a fellow subsidiary of HK\$846,000 (2008: Nil).

For property leasing, the rental income dropped to HK\$847,000 (2008: HK\$939,000), it was mainly due to the drop of occupancy rate of the property. Included in the current period result was an increase in fair value on investment properties of HK\$2,700,000 (2008: gain of HK\$2,500,000).

During the Period, no finance cost was recorded (2008: HK\$5,892,000), the figure of last year represented the effective interest expense on convertible bonds.

Exchange loss included in administrative expenses of HK\$2,000 (2008: Nil) was recorded upon conversion of foreign currency floating rate notes to Hong Kong dollars.

#### ***Profit/(loss) attributable to the equity holders of the Company***

For the Period, the Group recorded a profit attributable to the equity holders of the Company of HK\$5,522,000 (2008: loss of HK\$6,134,000), it was mainly due to the increase in fair value on investment properties, increase in interest income on floating rate notes and loan to the fellow subsidiary. The basic and diluted earnings per share are HK0.2 cents (2008: loss per share of HK0.2 cents).

The major non-cash items included gain on fair value change on investment properties of HK\$2,700,000 (2008: gain of HK\$2,500,000).

#### **Net Asset Value**

As at 30 June 2009, the Group's total net asset was HK\$465,925,000 (31 December 2008: HK\$297,378,000), an increase of HK\$168,547,000 or 56.7% when compared with last year. Such rise was caused by (a) the issuance of 400,000,000 shares resulted in the increase of share capital of HK\$4,000,000 and share premium of HK\$141,470,000; and (b) the increase in fair value of available-for-sale financial assets of HK\$17,555,000; and (c) the profit retained for the Period of HK\$5,522,000.

Net asset value per share as at 30 June 2009 was HK\$0.19 (31 December 2008: HK\$0.15).

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

### **Investment and Finance**

Last year, the Group acquired various long term floating rate notes (the “FRN”) in principal amount of EUR3,800,000 and US\$16,500,000 as available-for-sale financial assets. The denominated currencies of the FRN are European dollars and United States dollars and the maturity dates are between 2011 and 2014. The interest rates are calculated mainly with reference to the respective country’s LIBOR. Further the Group made a short term three-year revolving loan to Chinese Estates Group of HK\$136,000,000 at HIBOR plus 1% per annum. The Group lent a further loan of HK\$64,000,000 during the Period. No hedging for interest rate and foreign currency were subsisted during the Period.

As at 30 June 2009, the carrying amount of the FRN amounted to HK\$146,746,000 (31 December 2008: HK\$127,704,000) and the loan amounted to HK\$200,000,000 (31 December 2008: HK\$136,000,000) representing 31.2% and 42.5% of the total assets of the Group respectively.

### **Equity**

The number of issued ordinary shares as at 30 June 2009 and 31 December 2008 were 2,428,255,008 and 2,028,255,008 respectively.

### **Debt and Equity Ratio**

The Group did not have any borrowings as at 30 June 2009 and 31 December 2008.

There was no debt to equity ratio as at 30 June 2009 and 31 December 2008. Cash and bank balances as at 30 June 2009 was approximately HK\$90,376,000 (31 December 2008: HK\$5,442,000). The majority of 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 have been made during the Period.

### **Pledge of Assets**

As at 30 June 2009 and 31 December 2008, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

### **Capital Commitment and Contingent Liabilities**

The Group did not have any material capital commitment and contingent liabilities as at 30 June 2009 and 31 December 2008.

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

Interest income was included in revenue, other operating income and profit for the Period. Interest income was HK\$3,986,000 (2008: HK\$2,580,000), it is mainly due to the interest income from FRN, loan to the fellow subsidiary and bank interest income. There was no finance cost (2008: effective interest expense on convertible bonds of HK\$5,892,000) during the Period.

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

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

As at 30 June 2009, the Group did not employ any staff (31 December 2008: 1 staff). Total staff cost excluding Directors' remuneration for the Period was approximately HK\$465,000 (2008: HK\$414,000) representing the staff cost charged by other fellow subsidiaries of holding company. The Company had adopted share option scheme since 15 February 2002. 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 Period.

### **Property Valuation**

A property valuation has been carried out by Norton Appraisals Limited, independent qualified professional surveyors, in respect of the Group's investment properties held as at 30 June 2009 and that valuation was used in preparing this period's financial statements. The Group's investment properties were valued HK\$30,000,000 as at 30 June 2009 (31 December 2008: HK\$27,300,000), an increase in fair value of approximately HK\$2,700,000 was recognised in the income statement for the Period.

## **BUSINESS REVIEW**

The Group was principally engaged in the businesses of property investment, finance and securities investment during the Period.

### **Finance and Securities Investment**

As at 30 June 2009, the Company had advanced a total sum of HK\$200,000,000 to the Chinese Estates Group under the three-year revolving loan facility at the interest rate of HIBOR plus 1% per annum. The Company had accrued an interest income from the revolving loan facility totaling about HK\$800,000 during the Period.

Meanwhile, the Group continued to invest in various floating rate notes ("FRN") in the aggregate principal amount of approximately EUR3,800,000 and US\$16,500,000 for long-term investment purpose. During the Period, interest income of approximately HK\$3,100,000 had been gained from investment in FRN.

### **Investment Properties**

As at 30 June 2009, the Group held 31 car parking spaces with 5 adjoining spaces and a carport basement situated in prime locations. The relevant occupancy rate was approximately 75.9% with rental income amounted to about HK\$847,000 for the Period. The rental income represented a decrease of 9.8% as compared to the corresponding period of last year. Such decrease on rental income was mainly attributable to the discontinuation in licensing for use of certain car parking spaces by the vehicle users in early 2009.

## **OTHER INFORMATION**

### **Placing of New Shares under General Mandate**

On 3 June 2009, the Company announced a placing exercise following which a total of 400,000,000 shares were issued under the general mandate to issue and allot shares of the Company granted by the shareholders at the 2009 annual general meeting (the “**General Mandate**”). The placing was completed on 17 June 2009. The net proceeds from the placing amounted to approximately HK\$145,400,000, among which HK\$64,000,000 had been advanced to the Chinese Estates Group under the three-year revolving loan facility. The remaining amount of approximately HK\$81,400,000 is now being used as general working capital of the Group.

### **Refreshment of General Mandate to Issue and Allot Shares**

An ordinary resolution for approving the refreshment of General Mandate was duly passed by the independent shareholders at the special general meeting held on 23 July 2009. The Board may issue, allot and deal with up to a limit of additional 485,651,001 shares of the Company in case the Company needs additional capital for business purpose in future.

## **POST BALANCE SHEET EVENTS**

There is no post balance sheet event.

## **PROSPECTS**

Facing the unprecedented global financial tsunami, the Company strived to streamline its operation and to reduce its operation cost. The level of working capital has been improved with injection of capital from investors upon completion of the placing in June 2009. Surrounding environment is, however, full of challenges and uncertainties. High unemployment rate, zero interest rate, negative economic growth and attacks from hot money inflows are all obsessing the local enterprises and investors. The effect of government’s economic stimulus measures is not imminent and its positive economic repercussion is far from clear. Against such backgrounds, the substantial investment is not the ideal business strategy of the Company in the short run. Preservation of the capital for future investment is regarded as paramount. For the interests of the Company and the shareholders, the Company has adopted a prudent investment policy by using partial fund to lend to the Chinese Estates Group. The interest return from the holding company is reliable. The rentals of car parking spaces will continue to make stable income contribution to the Company.

The Company is confident that the local economy will overcome the financial tsunami soon, but in short term, the Company will adjust the Company’s operation and investment strategy by following the economic trend and will monitor fund using closely to allow business exploitation in future.

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

As at 30 June 2009, none of the Directors or chief executive(s) of the Company 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 the register maintained by the Company under the section 352 of the Securities and Futures Ordinance (the “**SFO**”), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2009, 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 of Substantial Shareholders	Number of Shares (ordinary share)	Capacity	Notes	Percentage of Issued Share Capital
Mr. Joseph Lau, Luen-hung ("Mr. Lau")	1,512,059,473	Founder of trust; beneficiary of trust and interest of controlled corporations	1 & 3	62.26%
Asian Kingdom Limited	493,678,883	Beneficial owner	1	20.33%
Crown Jade Limited	493,678,883	Interest of controlled corporation	1	20.33%
Global King (PTC) Ltd.	1,018,380,590	Trustee	2	41.93%
GZ Trust Corporation	1,018,380,590	Trustee, beneficiary of trust and interest of controlled corporations	2	41.93%
Chinese Estates Holdings Limited ("Chinese Estates")	1,018,380,590	Interest of controlled corporations	4	41.93%
Mass Rise Limited	740,521,829	Beneficial owner	4	30.49%

### Notes:

- The entire issued share capital of Asian Kingdom Limited was owned by Crown Jade Limited, the entire issued share capital of which was wholly-owned by Mr. Lau. Crown Jade Limited and Mr. Lau were deemed to be interested in the same parcel of shares in which Asian Kingdom Limited was interested.
- GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King (PTC) Ltd. was the trustee. Global King (PTC) Ltd. was entitled to exercise more than one-third of the voting power at 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.
- Mr. Lau, by virtue of his 71.48% interests in the issued share capital of Chinese Estates, was deemed to be interested in the same interests stated against Chinese Estates.
- These shares of the Company comprised 740,521,829 shares beneficially owned by Mass Rise Limited and the remaining shares held by the following beneficial owners, and each of them was an indirect wholly-owned subsidiary of Chinese Estates. Therefore, Chinese Estates was deemed to be interested in the same parcel of shares in which each of such companies was interested.

Name of beneficial owners	Number of Shares (ordinary share)
High Victory Limited	113,818,911
Luckpoint Investment Limited	76,877,685
Million Point Limited	50,000,000
Great Empire International Ltd.	37,162,165

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

All the interests stated above represent long position which included interests in shares and underlying shares. As at 30 June 2009, no short position was recorded in the register kept by the Company under section 336 of the SFO.

## **SHARE OPTION SCHEME**

The Company had adopted share option scheme since 15 February 2002 (the “**2002 Scheme**”). Details of the 2002 Scheme were set out in the 2008 Annual Financial Statements. No option was outstanding at the beginning and at the end of the Period. No option was granted, exercised, cancelled and lapsed during the Period (2008: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **REVIEW BY AUDIT COMMITTEE**

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The audit committee of the Company, comprised all the Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited consolidated financial statements for the Period.

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

As at 30 June 2009, pursuant to Rule 13.20 of the Listing Rules, the Group had made advances of HK\$200,000,000 at HIBOR plus 1% per annum to Fancy Mark, a wholly-owned subsidiary of 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 3 November 2011.

## **CORPORATE GOVERNANCE**

The Company had fully applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “**Code**”) as set out in Appendix 14 of the Listing Rules throughout the Period. None of the Directors was aware of any information that would reasonably indicate that the Company was not during any part of the accounting period covered by the Period, incompliance with the Code except for certain very minor deviation in form as follows:–

Under code provision A.2 in Appendix 14 of the Listing Rules, the roles of chairman are management of the board, among other things, ensuring that all directors are properly briefed on issue arising at board meetings and the directors receive adequate information, which must be completed, reliable and in a timely manner. Although the chairman of the Company has not been filled since 1 June 2007, the deputy chairman of the Company has been acting as the chairman and fulfilled its role and function properly. Accordingly, the Directors consider that the code provision under A.2 in Appendix 14 has been complied with in substance.

Under code provision A.4.1 in 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, however, are not appointed for any specific term. Notwithstanding that, they are subject to retirement by rotation at the Company’s annual general meeting at least once every three years in accordance with the Company’s By-laws. The Directors are of the view that the term of the Independent Non-executive Directors is specific enough in substance.

Under code provision C.2.2 in Appendix 14 of the Listing Rules, the board of the listed company should consider the adequacy of resources, qualifications and experience of staff of the listed company’s accounting and financial reporting function, and their training programmes and budget as part of internal control of the listed company in the annual corporate governance review. Under code provision C.3.3(g) in Appendix 14 of the Listing Rules, the terms of reference of the audit committee of the listed company should include the duty to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the listed company’s accounting and financial reporting function, and their training programmes and budget. Although the Company does not for the time being engage any staff, the Directors have secured the assistance of Chinese Estates, the holding company of the Company, 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 accounts reporting and internal control. The Directors believed that such arrangement with Chinese Estates will substantially reduce the cost of the Company in financial accounts reporting and internal controls. The Directors shall also use their best endeavours to ensure the 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.

## **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, 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. Lam, Yat-fai, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of New Smart Energy Group Limited (Stock Code: 91) with effect from 31 July 2009.

Mr. Leung, Yun-fai, an Independent Non-executive Director of the Company, ceased to be a director of High Progress Consultants Limited (a financial consulting firm in Hong Kong) with effect from 3 April 2009.

In early July 2009, the Board of the Company had carried out a review on the remuneration of the independent non-executive directors. Having regarded the prevailing market condition and considered the current size and operation of the Company, the Board has determined to increase the annual remuneration of each Independent Non-executive Director, namely Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai, from HK\$90,000 to HK\$110,000 per annum for the financial year ending 31 December 2009.

### **APPRECIATION**

I would like to take this opportunity to express our gratitude to the shareholders of the Company for their continued support, and to our fellow Directors and those who have worked for the Group for their valuable contribution.

On behalf of the Board  
**Kong, Chi-ming**  
*Deputy Chairman*

Hong Kong, 20 August 2009