



G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

**Interim Report
For The Six Months
Ended 30 June 2010**

CONTENTS

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

CORPORATE INFORMATION

Directors

Executive 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

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of G-Prop (Holdings) Limited (the “**Company**”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2010 (the “**Period**”) together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	For six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	3	4,112	4,829
Costs of sales		<u>(118)</u>	<u>(91)</u>
Gross profit		3,994	4,738
Other income	5	115	12
Administrative expenses		(7,372)	(1,482)
Fair value changes on investment properties		<u>(1,500)</u>	<u>2,700</u>
(Loss)/profit before tax	6	(4,763)	5,968
Income tax credit/(expense)	7	<u>248</u>	<u>(446)</u>
(Loss)/profit for the period attributable to owners of the Company		(4,515)	5,522
Other comprehensive income:			
Fair value changes on available-for-sale financial assets		<u>2,686</u>	<u>17,555</u>
Total comprehensive (expenses)/income for the period attributable to owners of the Company		<u>(1,829)</u>	<u>23,077</u>
(Loss)/earnings per share	8		
Basic and diluted (HK cents per share)		<u>(0.2)</u>	<u>0.2</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	<i>Notes</i>	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Non-current assets			
Investment properties	10	31,000	32,500
Goodwill		2,939	2,939
Interests in jointly controlled entities		–	–
Available-for-sale financial assets	11	157,149	158,473
		191,088	193,912
Current assets			
Deposits, prepayments and other receivables	12	455	685
Short-term loans receivable		–	–
Loan to a fellow subsidiary		200,000	200,000
Time deposits, bank balances and cash		89,975	91,247
		290,430	291,932
Current liabilities			
Creditors and accruals	13	1,613	1,244
Deposits and receipts in advance		406	394
Tax payable		3	16
Amounts due to fellow subsidiaries		–	189
		2,022	1,843
Net current assets		288,408	290,089
Total assets less current liabilities		479,496	484,001
Equity attributable to owners of the Company			
Share capital	14	24,282	24,282
Share premium		351,638	351,638
Translation reserve		234	234
Securities investment reserve		(1,411)	(4,097)
Retained profits		102,577	109,520
Total equity		477,320	481,577
Non-current liability			
Deferred tax liabilities		2,176	2,424
		479,496	484,001

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Securities investment reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2009 (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
Total comprehensive income for the period	–	–	17,555	–	5,522	23,077
Placing of ordinary shares	4,000	145,200	–	–	–	149,200
Transaction costs attributable to placing of ordinary shares	–	(3,730)	–	–	–	(3,730)
At 30 June 2009 (unaudited)	24,282	351,638	(13,483)	234	103,254	465,925
Profit for the period	–	–	–	–	6,266	6,266
Other comprehensive income	–	–	9,386	–	–	9,386
Total comprehensive income for the period	–	–	9,386	–	6,266	15,652
At 31 December 2009 (audited)	24,282	351,638	(4,097)	234	109,520	481,577
Loss for the period	–	–	–	–	(4,515)	(4,515)
Other comprehensive income	–	–	2,686	–	–	2,686
Total comprehensive (expenses)/income for the period	–	–	2,686	–	(4,515)	(1,829)
Final dividend paid	–	–	–	–	(2,428)	(2,428)
At 30 June 2010 (unaudited)	<u>24,282</u>	<u>351,638</u>	<u>(1,411)</u>	<u>234</u>	<u>102,577</u>	<u>477,320</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	For six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(255)	971
Net cash generated from/(used in) investing activities	1,661	(60,018)
Net cash (used in)/generated from financing activities	(2,428)	145,470
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,022)	86,423
Effect of foreign exchange rate changes	(250)	(1,489)
Cash and cash equivalents at 1 January	91,247	5,442
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>89,975</u>	<u>90,376</u>
	<hr/>	<hr/>
Analysis of the balance of cash and cash equivalents		
Time deposits, bank balances and cash	<u>89,975</u>	<u>90,376</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. Basis of preparation

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”)

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on 1 January 2010. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these unaudited condensed consolidated financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2009.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the “**new HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2010.

HKFRSs (Amendments)	Improvements to HKFRS 1 and HKFRS 5 as a part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Annual Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The application of HKAS 27 (Revised) “Consolidated and Separate Financial Statements” affects the accounting treatment for changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. HKFRS 3 (Revised) “Business Combinations” affects the accounting for business combination for which the acquisition date is on or after 1 January 2010.

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs issued in 2010 ⁵
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Right Issues ¹
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁴
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011 as appropriate

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.

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	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental income	864	847
Interest income from investment and finance	3,248	3,982
	<u>4,112</u>	<u>4,829</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 engages 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 2010

	Investment and finance (Unaudited) HK\$'000	Properties investment (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Revenue			
Revenue from external customers			
– Hong Kong	<u>3,248</u>	<u>864</u>	<u>4,112</u>
Results			
Segment results for reportable segments			
– Hong Kong	<u>(2,501)</u>	<u>755</u>	(1,746)
Interest income			4
Unallocated corporate expenses			<u>(1,521)</u>
Loss before tax			(3,263)
Income tax expense			<u>–</u>
Core loss (excluding major non-cash items)			(3,263)
Major non-cash items			
– Fair value changes on investment properties			(1,500)
– Deferred tax credit			<u>248</u>
Loss for the period			<u>(4,515)</u>

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

4. Operating segments (cont'd)

The segment assets and liabilities at 30 June 2010

	Investment and finance (Unaudited) <i>HK\$'000</i>	Properties investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Assets			
Segment assets for reportable segments			
– Hong Kong	<u>444,496</u>	<u>34,083</u>	478,579
Unallocated corporate assets			<u>2,939</u>
Consolidated total assets			<u>481,518</u>
Liabilities			
Segment liabilities for reportable segments			
– Hong Kong	<u>(1,514)</u>	<u>(505)</u>	(2,019)
Unallocated corporate liabilities			<u>(2,179)</u>
Consolidated total liabilities			<u>(4,198)</u>

The segment results for the period ended 30 June 2009

	Investment and finance (Unaudited) <i>HK\$'000</i>	Properties investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Revenue			
Revenue from external customers			
– Hong Kong	<u>3,982</u>	<u>847</u>	<u>4,829</u>
Results			
Segment results for reportable segments			
– Hong Kong	<u>3,981</u>	<u>816</u>	4,797
Interest income			4
Unallocated corporate expenses			<u>(1,533)</u>
Profit before tax			3,268
Income tax expense			<u>–</u>
Core profit (excluding major non-cash items)			3,268
Major non-cash items			
– Fair value changes on investment properties			2,700
– Deferred tax expense			<u>(446)</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 at 31 December 2009

	Investment and finance (Audited) <i>HK\$'000</i>	Properties investment (Audited) <i>HK\$'000</i>	Consolidated (Audited) <i>HK\$'000</i>
Assets			
Segment assets for reportable segments			
– Hong Kong	<u>448,156</u>	<u>34,749</u>	482,905
Unallocated corporate assets			<u>2,939</u>
Consolidated total assets			<u>485,844</u>
Liabilities			
Segment liabilities for reportable segments			
– Hong Kong	<u>(1,391)</u>	<u>(436)</u>	(1,827)
Unallocated corporate liabilities			<u>(2,440)</u>
Consolidated total liabilities			<u>(4,267)</u>

5. Other income

	For six months ended 30 June	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
Other income included the followings:		
Interest income	4	4
Other property income	9	7
Other income	<u>102</u>	<u>1</u>
	<u>115</u>	<u>12</u>

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

6. (Loss)/profit before tax

(Loss)/profit before tax has been arrived at after charging:

	For six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Staff costs:		
Directors' emoluments	205	175
Salaries and other benefits	489	447
Retirement benefit scheme contributions	20	18
	<u>714</u>	<u>640</u>
Auditors' remuneration	<u>165</u>	<u>210</u>
Exchange loss	<u>5,851</u>	<u>2</u>
and after crediting:		
Gross rental income from investment properties	864	847
Less: direct operating expenses from investment properties that generated rental income during the period	(110)	(83)
direct operating expenses from investment properties that did not generate rental income during the period	(8)	(8)
	<u>746</u>	<u>756</u>

7. Income tax credit/(expense)

	For six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current tax	–	–
Deferred tax	248	(446)
	<u>248</u>	<u>(446)</u>

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

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

8. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	For six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/earnings:		
(Loss)/profit for the period for the purpose of basic and diluted (loss)/earnings per share	<u>(4,515)</u>	<u>5,522</u>
Number of shares:		
Weighted average number of ordinary shares in issue	<u>2,428,255,008</u>	<u>2,428,255,008</u>

For the periods ended 30 June 2010 and 30 June 2009, diluted (loss)/earnings per share was the same as the basic (loss)/earnings per share as there were no diluting events during both periods.

9. Dividend

The Board has resolved not to declare any interim dividend for the Period (2009: Nil).

At the annual general meeting held on 28 May 2010, a final dividend of HK0.1 cent per ordinary share (year ended 31 December 2008: Nil) amounted to HK\$2,428,000 for the year ended 31 December 2009 was approved and paid on 25 June 2010, which had been reflected as appropriations of retained profits for the six months ended 30 June 2010.

10. Investment properties

	<i>HK\$'000</i>
Fair value	
At 1 January 2009	27,300
Fair value changes recognised in consolidated statement of comprehensive income	<u>5,200</u>
At 31 December 2009	32,500
Fair value changes recognised in consolidated statement of comprehensive income	<u>(1,500)</u>
At 30 June 2010	<u>31,000</u>

The fair value of the Group's investment properties at 30 June 2010 has been arrived at on the basis of valuation carried out on that date by B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers not connected with the Group. B.I. Appraisals has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conformed to The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors, was based on market value basis.

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

11. Available-for-sale financial assets

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
The Group's available-for-sale financial assets comprise:		
Floating rate notes (<i>Note</i>)		
– Listed	35,197	41,121
– Unlisted	<u>121,952</u>	<u>117,352</u>
	<u>157,149</u>	<u>158,473</u>

Note: The listed and unlisted floating rate notes carry floating interest at EURIBOR + 0.2% and LIBOR + 0.3% to LIBOR + 0.35% per annum respectively. These floating rate notes will mature between 2011 and 2014.

12. Deposits, prepayments and other receivables

There was no trade receivables included in deposits, prepayments and other receivables as at 30 June 2010 and 31 December 2009.

13. Creditors and accruals

There was no trade payables included in creditors and accruals as at 30 June 2010 and 31 December 2009.

14. Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 30 June 2010	<u>80,000,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1 January 2009	2,028,255,008	20,282
Placing of shares (<i>Note</i>)	<u>400,000,000</u>	<u>4,000</u>
At 31 December 2009 and 30 June 2010	<u>2,428,255,008</u>	<u>24,282</u>

Note:

Pursuant to a share placing agreement dated 3 June 2009, the Company issued 400,000,000 ordinary shares at price of HK\$0.373 per share on 17 June 2009. The proceeds were mainly used to finance the loan to a fellow subsidiary and operation. The new shares issued during 2009 ranked pari passu with the then existing shares in all respects.

15. Related party transactions

During the Period, the Group had the following transactions with related parties:

	For six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Loan interest income from a fellow subsidiary (<i>Note</i>)	1,097	846
Staff cost recharged from fellow subsidiaries	<u>509</u>	<u>465</u>

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

16. Comparative figures

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2009: Nil).

FINANCIAL OPERATION REVIEW

Results

Revenue for the Period was HK\$4,112,000 (2009: HK\$4,829,000), a decrease of HK\$717,000 when compared with last period. Gross profit for the Period amounted to HK\$3,994,000 (2009: HK\$4,738,000), a decrease of 15.7% as compared with last period. The decrease in revenue and gross profit was the results from the interest income from floating rate notes of HK\$2,151,000 (2009: HK\$3,136,000) and loan to a fellow subsidiary of HK\$1,097,000 (2009: HK\$846,000).

For property leasing, the rental income increased to HK\$864,000 (2009: HK\$847,000), it was mainly due to the rise in occupancy rate of the properties. Included in the current period result was a decrease in fair value of investment properties of HK\$1,500,000 (2009: increase of HK\$2,700,000).

During the Period, no finance cost was recorded (2009: Nil).

Exchange loss included in administrative expenses of HK\$5,851,000 (2009: HK\$2,000) was mainly due to the conversion of foreign currency floating rate notes to Hong Kong dollars.

(Loss)/profit attributable to owners of the Company

For the Period, the Group recorded a loss attributable to owners of the Company of HK\$4,515,000 (2009: profit of HK\$5,522,000), it was mainly due to the decrease in fair value of investment properties, decrease in interest income on floating rate notes and exchange loss upon conversion of floating rate notes. The basic and diluted loss per share are HK0.2 cents (2009: earnings per share of HK0.2 cents).

The major non-cash items included loss on fair value change on investment properties of HK\$1,500,000 (2009: gain of HK\$2,700,000) and their respective deferred tax.

Net Asset Value

As at 30 June 2010, the Group's total net assets were HK\$477,320,000 (31 December 2009: HK\$481,577,000), a decrease of HK\$4,257,000 or 0.9% when compared with last year. Such drop was caused by (a) final dividend paid for 2009 of HK\$2,428,000; (b) loss for the Period of HK\$4,515,000; and (c) increase in fair value of available-for-sale financial assets of HK\$2,686,000.

Net asset value per share as at 30 June 2010 was HK\$0.2 (31 December 2009: HK\$0.2).

FINANCIAL OPERATION REVIEW (cont'd)

Investment and Finance

As at 30 June 2010, the Group had 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 EURIBOR and LIBOR. Further, the Group made a short term three-year revolving loan to the Chinese Estates Group of HK\$200,000,000 at HIBOR plus 1% per annum. No hedging for interest rate and foreign currency were subsisted during the Period.

As at 30 June 2010, the carrying amount of the FRN amounted to HK\$157,149,000 (31 December 2009: HK\$158,473,000) and the loan amounted to HK\$200,000,000 (31 December 2009: HK\$200,000,000) representing 32.6% and 41.5% of the total assets of the Group respectively.

Equity

The number of issued ordinary shares as at 30 June 2010 and 31 December 2009 was 2,428,255,008.

Debt and Equity Ratio

The Group did not have any borrowings as at 30 June 2010 and 31 December 2009.

Debt to equity ratio was zero as at 30 June 2010 and 31 December 2009. Cash and bank balances as at 30 June 2010 was approximately HK\$89,975,000 (31 December 2009: HK\$91,247,000). The majority of the Group’s income for the Period were denominated in Hong Kong dollars and United States dollars and no hedging for Euro dollars investments was made during the Period.

Pledge of Assets

As at 30 June 2010 and 31 December 2009, no asset was 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 2010 and 31 December 2009.

Financial and Interest Income/Expenses

Interest income was included in revenue and other income for the Period. Interest income included in revenue was HK\$3,248,000 (2009: HK\$3,982,000) due to the interest income from the FRN and loan to a fellow subsidiary. Interest income included in other income amounting HK\$4,000 (2009: HK\$4,000) was bank interest. There was no finance cost (2009: Nil) during the Period.

Remuneration Policies and Share Option Scheme

As at 30 June 2010, the Group did not employ any staff (31 December 2009: Nil). Total staff cost excluding directors’ emoluments for the Period was approximately HK\$509,000 (2009: HK\$465,000) representing the staff cost recharged from fellow subsidiaries of the 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 or lapsed during the Period.

FINANCIAL OPERATION REVIEW (cont'd)

Property Valuation

A property valuation has been carried out by B. I. Appraisals Limited, independent qualified professional valuers, in respect of the Group's investment properties held as at 30 June 2010 and that valuation was used in preparing this period's consolidated financial statements. The Group's investment properties were valued at HK\$31,000,000 as at 30 June 2010 (31 December 2009: HK\$32,500,000), a decrease in fair value of HK\$1,500,000 was recognised in the consolidated statement of comprehensive income for the Period.

BUSINESS REVIEW

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

Finance and Securities Investment

As at 30 June 2010, a total sum of HK\$200,000,000 had been advanced to the Chinese Estates Group under the three-year revolving loan facility agreement made in November 2008. The Company had accrued an interest income from the revolving loan facility totaling about HK\$1,097,000 at the interest rate of HIBOR plus 1% per annum during the Period.

On the other hand, the investment in various floating rate notes for long-term investment purpose in the aggregate principal amount of EUR3,800,000 and US\$16,500,000 had generated an interest income of approximately HK\$2,151,000 during the Period. As a result of stagnant performance in currency investment market in Europe, as at 30 June 2010, the fair value of the FRN was HK\$157,149,000, with a reduction of HK\$1,324,000 or 0.8% as compared to HK\$158,473,000 as at 31 December 2009.

Investment Properties

As at 30 June 2010, the Group held 31 car parking spaces with 5 adjoining spaces and a carport basement situated in Wanchai and Central. The relevant occupancy rate was approximately 78.1% with rental income amounted to about HK\$864,000 for the Period. The rental income represented an increment of 2.0% as compared to the corresponding period of last year. Such increase on rental income was mainly attributable to the increase usage of car parking spaces in early 2010. However, the investment properties were suffered from an unrealised valuation loss of HK\$1,500,000 during the Period.

PROSPECTS

Since the end of 2008, in the wake of the global financial tsunami, the Company has adopted a prudent investment policy by lending a three-year revolving loan of up to HK\$200,000,000 to the Chinese Estates Group in return for interest income. During the first half of this year, Hong Kong showed substantial economic recovery from the global financial tsunami. However, there were still a number of external and internal challenges. The Government's recent acts on imposing new standards for sales descriptions of and banning confirmor transactions for uncompleted residential units as well as reducing the maximum mortgage loan-to-value ratio against luxurious properties have impact against local real estates developers and investors, including us. In tandem with the prudence of other property developers on future development of real property market in Hong Kong, we will continue to focus on the prudent business strategy in temporarily using the fund to lend to the Chinese Estates Group. The short term loan to the Chinese Estates Group not only serves a safe harbour for the Company's fund in view of the strong capital and assets basis of the Chinese Estates Group, but also contributes to the continuous growth in revenue. The car parking spaces rental income is expected to be stable. While striving to streamline the business operation, the Company is well prepared to take new challenges in the coming future. Overall, the Group's business prospect will be stable in the immediate future, barring any unforeseeable event.

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

As at 30 June 2010, none of the directors (the “**Directors**”) or chief executive(s) of the Company nor their associates, had any interests or short positions in any shares, underlying shares, debentures or rights to subscribe for the securities of the Company and its associated corporations, as recorded in the register maintained by the Company under 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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the Period, none of the Directors or chief executive(s) of the Company, nor their spouses or children under the age of 18 years, were granted or had exercised any rights to subscribe for any securities of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2010, 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	2	41.93%
Mass Rise Limited (“ Mass Rise ”)	1,018,380,590	Beneficial owner	2	41.93%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

(cont'd)

Notes:

1. The entire issued share capital of Asian Kingdom Limited is owned by Crown Jade Limited, the entire issued share capital of which is 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.
2. GZ Trust Corporation as trustee of a discretionary trust holds units in a unit trust of which Global King (PTC) Ltd. is the trustee. Global King (PTC) Ltd. is entitled to exercise more than one-third of the voting power at general meetings of Chinese Estates. Chinese Estates owns the entire issued share capital of Mass Rise. Accordingly, each of Global King (PTC) Ltd., GZ Trust Corporation and Chinese Estates was deemed to be interested in the same interests stated against Mass Rise.
3. Mr. Lau, by virtue of his 74.82% interests in the issued share capital of Chinese Estates, was deemed to be interested in the same interests stated against Chinese Estates.

All the interests stated above represented long position which had included interests in shares and underlying shares. As at 30 June 2010, 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 a share option scheme since 15 February 2002 (the “**2002 Scheme**”). Details of the 2002 Scheme were set out in the consolidated financial statements of the 2009 annual report. 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 (2009: Nil).

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

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

REVIEW BY AUDIT COMMITTEE

The interim results for the Period are unaudited and 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 2010, 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 Limited, 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 Period, in compliance with the Code except for several deviations (some of them are minor deviation in form) as follows:–

Under code provision A.2 in Appendix 14 to 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 to 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 Bye-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 to 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 to 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 reporting and internal control. The Directors believed that such arrangement with Chinese Estates will substantially reduce the cost of the Company in financial 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.

Under code provision E.1.2 in Appendix 14 to the Listing Rules, the chairman of the board should attend the annual general meeting. Mr. Kong, Chi-ming, the Deputy Chairman of the Board assuming the role of the Chairman, was on business trip and therefore could not attend the Annual General Meeting of the Company held on 28 May 2010 (“AGM”). Mr. Lam, Yat-fai, an Independent Non-executive Director as well as the chairman of Audit Committee, was elected as the chairman of the AGM to regulate the procedures of the AGM and to answer questions from the shareholders of the Company.

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

In mid July 2010, the Board had carried out a review on the remuneration of the Independent Non-executive Directors. Having regarded the prevailing market condition, 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\$110,000 to HK\$130,000 per annum for the financial year ending 31 December 2010.

Save as those changes mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules, since publication of the 2009 annual report of the Company.

APPRECIATION

I would like to take this opportunity to express our gratitude to the shareholders of the Company for their continued support, and 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, 25 August 2010