



**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 2011**

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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

Bank of Communications Co., Ltd.  
Chong Hing Bank Limited  
Public Bank (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited  
Wing Hang Bank, 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

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## 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 2011 (the “Period”) together with the comparative figures for the corresponding period in 2010 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	For six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Revenue	3	4,401	4,112
Costs of sales		(91)	(118)
Gross profit		4,310	3,994
Other income	5	3,691	115
Administrative expenses		(1,476)	(7,372)
Fair value changes on investment properties		3,150	(1,500)
Profit (loss) before tax	6	9,675	(4,763)
Income tax expense	7	–	–
<b>Profit (loss) for the period</b>		<b>9,675</b>	<b>(4,763)</b>
Other comprehensive income:			
Fair value changes on available-for-sale financial assets		260	2,686
<b>Total comprehensive income (expenses) for the period</b>		<b>9,935</b>	<b>(2,077)</b>
<b>Profit (loss) for the period attributable to owners of the Company</b>		<b>9,675</b>	<b>(4,763)</b>
<b>Total comprehensive income (expenses) for the period attributable to owners of the Company</b>		<b>9,935</b>	<b>(2,077)</b>
<b>Earnings (loss) per share</b>	8		
Basic and diluted (HK cents per share)		0.4	(0.2)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		30 June 2011 (Unaudited) <i>HK\$'000</i>	31 December 2010 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties	10	31,500	28,350
Goodwill		2,939	2,939
Interests in jointly controlled entities		–	–
Available-for-sale financial assets	11	80,553	79,677
		114,992	110,966
<b>Current assets</b>			
Deposits, prepayments and other receivables	12	506	705
Short-term loans receivable		–	–
Loan to a fellow subsidiary		200,000	200,000
Available-for-sale financial assets	11	89,443	85,031
Tax recoverable		4	–
Time deposits and bank balances		88,096	91,242
		378,049	376,978
<b>Current liabilities</b>			
Creditors and accruals	13	1,324	1,220
Deposits and receipts in advance		461	427
Tax liabilities		–	9
Amounts due to fellow subsidiaries		120	230
		1,905	1,886
<b>Net current assets</b>		376,144	375,092
<b>Total assets less current liabilities</b>		491,136	486,058
<b>Equity attributable to owners of the Company</b>			
Share capital	14	24,282	24,282
Share premium		351,638	351,638
Translation reserve		234	234
Securities investment reserve		1,578	1,318
Retained profits		113,298	108,480
		491,030	485,952
<b>Total equity</b>		491,030	485,952
<b>Non-current liability</b>			
Deferred tax liabilities		106	106
		106	106
		491,136	486,058

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2011*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Securities investment reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
At 1 January 2010 (audited and originally stated)	24,282	351,638	234	(4,097)	109,520	481,577
Effect of change in accounting policy	—	—	—	—	3,247	3,247
At 1 January 2010 (audited and restated)	24,282	351,638	234	(4,097)	112,767	484,824
Loss for the period (restated)	—	—	—	—	(4,763)	(4,763)
Other comprehensive income	—	—	—	2,686	—	2,686
Total comprehensive income (expenses) for the period (restated)	—	—	—	2,686	(4,763)	(2,077)
Final dividend paid	—	—	—	—	(2,428)	(2,428)
At 30 June 2010 (unaudited and restated)	24,282	351,638	234	(1,411)	105,576	480,319
Profit for the period	—	—	—	—	2,904	2,904
Other comprehensive income	—	—	—	2,729	—	2,729
Total comprehensive income for the period	—	—	—	2,729	2,904	5,633
At 31 December 2010 (audited)	24,282	351,638	234	1,318	108,480	485,952
Profit for the period	—	—	—	—	9,675	9,675
Other comprehensive income	—	—	—	260	—	260
Total comprehensive income for the period	—	—	—	260	9,675	9,935
Final dividend paid	—	—	—	—	(4,857)	(4,857)
<b>At 30 June 2011 (unaudited)</b>	<b><u>24,282</u></b>	<b><u>351,638</u></b>	<b><u>234</u></b>	<b><u>1,578</u></b>	<b><u>113,298</u></b>	<b><u>491,030</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For six months ended 30 June	
	2011	2010
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash used in operating activities	(476)	(255)
Net cash generated from investing activities	2,005	1,661
Net cash used in financing activities	(4,857)	(2,428)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,328)	(1,022)
Effect of foreign exchange rate changes	182	(250)
Cash and cash equivalents at 1 January	91,242	91,247
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>88,096</u>	<u>89,975</u>
Analysis of the balance of cash and cash equivalents		
Time deposits and bank balances	<u>88,096</u>	<u>89,975</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 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 interim unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2010.

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”)

The accounting policies adopted in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2010 except as described below.

In the current period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the unaudited condensed consolidated financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The annual improvements to HKFRSs issued in 2010 contain amendment to HKAS 34 “Interim Financial Reporting”, which is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transaction.

The Group has early adopted the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property” for the financial year ended 31 December 2010 and this change in accounting policy has been consistently applied in these unaudited condensed consolidated financial statements.

The amendment to HKAS 12 introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred tax on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, the Group’s investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted.

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

### 2. Application of new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (cont'd)

This change in policy has been applied retrospectively with consequential adjustments to comparatives for the six months ended 30 June 2010 and 31 December 2010. As the Group's properties are located in Hong Kong, this has resulted in a reduction in the amount of deferred tax credit provided on fair value loss as follows:

	<b>Originally stated</b> <i>HK\$'000</i>	<b>HKAS 12</b> <i>HK\$'000</i>	<b>Restated</b> <i>HK\$'000</i>
Unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2010:			
Income tax credit	248	(248)	–
Loss for the period attributable to owners of the Company	(4,515)	(248)	(4,763)
Loss per share (HK cents)	<u>(0.19)</u>	<u>(0.01)</u>	<u>(0.20)</u>

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

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

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 aggregate amounts received and receivable from third parties and is summarised as follows:

	For six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income	870	864
Interest income from investment and finance	3,531	3,248
	<u>4,401</u>	<u>4,112</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.

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

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

Included in revenue arising from investment and finance of HK\$3,531,000 (2010: HK\$3,248,000) is revenue of approximately HK\$3,123,000 (2010: HK\$2,850,000) which arose from the Group's four (2010: four) major customers and each customer accounted for more than 10% of the Group's total revenue.

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

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

Operating segment information is presented below:

The segment results for the six months ended 30 June 2011

	Investment and finance (Unaudited) <i>HK\$'000</i>	Properties investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
<b>Revenue</b>			
Revenue from external customers			
– Hong Kong	<u>3,531</u>	<u>870</u>	<u>4,401</u>
<b>Results</b>			
Segment results for reportable segments			
– Hong Kong	<u>7,075</u>	<u>787</u>	7,862
Interest income			139
Unallocated corporate expenses			(1,476)
Income tax expense			–
Core profit (excluding major non-cash item)			6,525
Major non-cash item			
– Fair value changes on investment properties			<u>3,150</u>
<b>Profit for the period attributable to owners of the Company</b>			<u>9,675</u>

The segment assets and liabilities as at 30 June 2011

	Investment and finance (Unaudited) <i>HK\$'000</i>	Properties investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
<b>Assets</b>			
Segment assets for reportable segments			
– Hong Kong	<u>457,193</u>	<u>32,905</u>	490,098
Unallocated corporate assets			<u>2,943</u>
Consolidated total assets			<u>493,041</u>
<b>Liabilities</b>			
Segment liabilities for reportable segments			
– Hong Kong	<u>1,418</u>	<u>487</u>	1,905
Unallocated corporate liabilities			<u>106</u>
Consolidated total liabilities			<u>2,011</u>

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

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

The segment results for the six months ended 30 June 2010

	Investment and finance (Unaudited) <i>HK\$'000</i>	Properties investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i> (Restated)
<b>Revenue</b>			
Revenue from external customers			
– Hong Kong	<u>3,248</u>	<u>864</u>	<u>4,112</u>
<b>Results</b>			
Segment results for reportable segments			
– Hong Kong	<u>(2,501)</u>	<u>755</u>	(1,746)
Interest income			4
Unallocated corporate expenses			(1,521)
Income tax expense			<u>–</u>
Core loss (excluding major non-cash item)			(3,263)
Major non-cash item			
– Fair value changes on investment properties			<u>(1,500)</u>
<b>Loss for the period attributable to owners of the Company</b>			<u><u>(4,763)</u></u>

The segment assets and liabilities as at 31 December 2010

	Investment and finance (Audited) <i>HK\$'000</i>	Properties investment (Audited) <i>HK\$'000</i>	Consolidated (Audited) <i>HK\$'000</i>
<b>Assets</b>			
Segment assets for reportable segments			
– Hong Kong	<u>452,846</u>	<u>32,159</u>	485,005
Unallocated corporate assets			<u>2,939</u>
Consolidated total assets			<u><u>487,944</u></u>
<b>Liabilities</b>			
Segment liabilities for reportable segments			
– Hong Kong	<u>1,326</u>	<u>551</u>	1,877
Unallocated corporate liabilities			<u>115</u>
Consolidated total liabilities			<u><u>1,992</u></u>

### Geographical information

For the periods ended 30 June 2011 and 2010, all the Group's operations are located in Hong Kong. The Group's revenue is all derived from Hong Kong for both periods.

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

### 5. Other income

	For six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Other income included the followings:		
Interest income	139	4
Other property income	8	9
Other income	–	102
Exchange gain, net	3,544	–
	<u>3,691</u>	<u>115</u>

### 6. Profit (loss) before tax

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

	For six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Staff costs:		
Directors' emoluments	235	205
Salaries and other benefits	520	489
Retirement benefit scheme contributions	23	20
	<u>778</u>	<u>714</u>
Auditors' remuneration	<u>150</u>	<u>165</u>
Exchange loss, net	<u>–</u>	<u>5,851</u>
and after crediting:		
Gross rental income from investment properties	870	864
Less: direct operating expenses from investment properties that generated rental income during the period	(88)	(110)
direct operating expenses from investment properties that did not generate rental income during the period	(3)	(8)
	<u>779</u>	<u>746</u>

### 7. Income tax expense

No provision for Hong Kong Profits Tax has been made as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses or having assessable profit wholly absorbed by tax losses brought forward for both periods.

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

### 8. Earnings (loss) per share

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

	<b>For six months ended 30 June</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b> <b>(Restated)</b>
<b>Earnings (loss):</b>		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	<u><u>9,675</u></u>	<u><u>(4,763)</u></u>
	<b>2011</b>	<b>2010</b>
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue	<u><u>2,428,255,008</u></u>	<u><u>2,428,255,008</u></u>

For the periods ended 30 June 2011 and 30 June 2010, diluted earnings (loss) per share was the same as the basic earnings (loss) per share as there were no diluting events during both periods.

### 9. Dividend

The Board declares the payment of an interim dividend of HK0.1 cent per share amounted to approximately HK\$2,400,000 for the Period (2010: Nil). The interim dividends are declared after the interim reporting dates and have not been recognised as liabilities at the end of the respective reporting periods.

At the annual general meeting held on 26 May 2011, a final dividend of HK0.2 cents per share (year ended 31 December 2009: HK0.1 cent) amounted to HK\$4,857,000 (2009: HK\$2,428,000) for the year ended 31 December 2010 was approved and paid on 17 June 2011, which had been reflected as appropriations of retained profits for the Period.

### 10. Investment properties

	<b>HK\$'000</b>
<b>Fair value</b>	
At 1 January 2010	32,500
Fair value changes recognised in consolidated statement of comprehensive income	<u>(4,150)</u>
At 31 December 2010	28,350
Fair value changes recognised in consolidated statement of comprehensive income	<u>3,150</u>
<b>At 30 June 2011</b>	<u><u>31,500</u></u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes, are measured using the fair value model and are classified and accounted for as investment properties.

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

### 10. Investment properties (cont'd)

Property valuations as at 30 June 2011 and 31 December 2010 were carried out by B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, in respect of the Group's investment properties. B.I. Appraisals holds a recognised professional qualification and has recent relevant experience. Property valuation was arrived at by reference to market evidence of transaction prices for similar properties at similar locations.

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting investment method, and/or direct comparison method, as appropriate. The valuation was relied on the discounted cash flow analysis and the capitalisation of income approach. The investment method is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions, the assumed occupancy rate and reversionary yield rate. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
The Group's available-for-sale financial assets comprise:		
Floating rate notes ( <i>Note</i> )		
– Listed	42,755	38,976
– Unlisted	<u>127,241</u>	<u>125,732</u>
	<b><u>169,996</u></b>	<b><u>164,708</u></b>
Analysis for reporting purposes as:		
– Non-current assets	80,553	79,677
– Current assets	<u>89,443</u>	<u>85,031</u>
	<b><u>169,996</u></b>	<b><u>164,708</u></b>

*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. These floating rate notes will mature between 2011 and 2014.

### 12. Deposits, prepayments and other receivables

There were no trade debtors included in deposits, prepayments and other receivables as at 30 June 2011 and 31 December 2010.

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

### 13. Creditors and accruals

There were no trade payables included in creditors and accruals as at 30 June 2011 and 31 December 2010.

### 14. Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 30 June 2011	80,000,000,000	800,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 30 June 2011	2,428,255,008	24,282

### 15. Related party transactions

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

	For six months ended 30 June	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Interest income on loan to a fellow subsidiary ( <i>Note 1</i> )	1,177	1,097
Management fee paid to a fellow subsidiary ( <i>Note 2</i> )	52	79

*Note 1:* Interest was charged on outstanding balance during the Period.

*Note 2:* Management fee was based on the terms mutually agreed by both parties.

### 16. Comparative figures

As explained in Note 2, due to the adoption of the amendments to HKAS 12, "Deferred Tax: Recovery of Underlying Assets", for the financial year ended 31 December 2010, certain comparative figures have been restated to comply with the new requirements.

## **INTERIM DIVIDEND**

The Board now declares the payment of interim dividend of HK0.1 cent per share for the Period (2010: Nil) to be paid on or about 28 September 2011 to the shareholders as registered at the close of business on 30 August 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 26 August 2011 to 30 August 2011, both days inclusive. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 August 2011.

## **FINANCIAL OPERATION REVIEW**

### **Results**

Revenue for the Period was HK\$4,401,000 (2010: HK\$4,112,000), an increase of HK\$289,000 when compared with last period. Gross profit for the Period amounted to HK\$4,310,000 (2010: HK\$3,994,000), an increase of 7.9% as compared with last period. The increase in revenue and gross profit was attributable to the interest income from floating rate notes of HK\$2,354,000 (2010: HK\$2,151,000) and loan to a fellow subsidiary of HK\$1,177,000 (2010: HK\$1,097,000).

For property leasing, the rental income increased to HK\$870,000 (2010: HK\$864,000), it was mainly due to a slightly increase in occupancy rate of the properties. Included in the current period result was an increase in fair value of investment properties of HK\$3,150,000 (2010: decrease of HK\$1,500,000).

During the Period, no finance cost was recorded (2010: Nil).

Exchange gain included in other income of HK\$3,544,000 (2010: exchange loss included in administrative expenses of HK\$5,851,000) was mainly due to the conversion of foreign currency floating rate notes to Hong Kong dollar.

### **Profit (loss) attributable to owners of the Company**

For the Period, the Group recorded a profit attributable to owners of the Company of HK\$9,675,000 (2010: loss of HK\$4,763,000 (restated)), it was mainly due to the increase in fair value of investment properties, increase in interest income on floating rate notes and unrealized exchange gain upon conversion of floating rate notes which were denominated in European dollar. The basic and diluted earnings per share are HK0.4 cents (2010: loss per share of HK0.2 cents (restated)).

The major non-cash item represented gain on fair value changes on investment properties of HK\$3,150,000 (2010: loss of HK\$1,500,000).

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

### **Net Asset Value**

As at 30 June 2011, the Group's total net assets was HK\$491,030,000 (31 December 2010: HK\$485,952,000), an increase of HK\$5,078,000 or 1.0% when compared with last year. The net change was caused by (a) final dividend paid for 2010 of HK\$4,857,000; (b) profit for the Period of HK\$9,675,000; and (c) increase in fair value of available-for-sale financial assets of HK\$260,000.

Net asset value per share as at 30 June 2011 was HK\$0.2 (31 December 2010: HK\$0.2).

### **Investment and Finance**

As at 30 June 2011, the Group had various long and short 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 dollar and United States dollar 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 was subsisted during the Period.

As at 30 June 2011, the carrying amount of the FRN amounted to HK\$169,996,000 (31 December 2010: HK\$164,708,000) and the loan amounted to HK\$200,000,000 (31 December 2010: HK\$200,000,000) representing 34.5% and 40.6% of the total assets of the Group respectively.

### **Equity**

The number of issued ordinary shares as at 30 June 2011 and 31 December 2010 was 2,428,255,008.

### **Debt and Equity Ratio**

The Group did not have any borrowings as at 30 June 2011 and 31 December 2010.

The Group continued to maintain a strong capital and cash position. Bank balances as at 30 June 2011 was approximately HK\$88,096,000 (31 December 2010: HK\$91,242,000). The majority of the Group's income for the Period was denominated in Hong Kong dollar and United States dollar and no hedging for non-Hong Kong dollar assets or investments was made during the Period.

### **Pledge of Assets**

As at 30 June 2011 and 31 December 2010, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

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

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

The Group did not have any material capital commitment and contingent liabilities as at 30 June 2011 and 31 December 2010.

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

Interest income was included in revenue and other income for the Period. Interest income included in revenue being HK\$3,531,000 (2010: HK\$3,248,000) derived from the FRN and loan to a fellow subsidiary. Interest income included in other income amounting HK\$139,000 (2010: HK\$4,000) was bank interest. There was no finance cost (2010: Nil) during the Period.

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

As at 30 June 2011, the Group did not employ any staff (31 December 2010: Nil). Total staff cost excluding directors' emoluments for the Period was approximately HK\$543,000 (2010: HK\$509,000) representing the staff cost recharged from other fellow subsidiaries of the Company. The Company had adopted share option scheme since 15 February 2002. No option was outstanding at the beginning and at the end of the Period. No option was granted, exercised, cancelled or lapsed during the Period.

### **Property Valuation**

A property valuation has been carried out by B.I. Appraisals Limited ("B.I. Appraisals"), an independent qualified professional valuers, in respect of the Group's investment properties as at 30 June 2011 and that valuation was used in preparing 2011 interim results. Property valuation as at 31 December 2010 was also carried out by B.I. Appraisals. B.I. Appraisals continues to adopt investment method and/or direct comparison method as the valuation methodologies.

The Group's investment properties were valued at HK\$31,500,000 (31 December 2010: HK\$28,350,000), representing 11.1% increase as compare with 31 December 2010. The increase in fair value of HK\$3,150,000 was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period.

## **BUSINESS REVIEW**

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

### **Finance and Securities Investment**

The Company had accrued an interest income of about HK\$1,177,000 from the three-year revolving loan facility made in November 2008 to the Chinese Estates Group at the interest rate of HIBOR plus 1% per annum during the Period in comparison with HK\$1,097,000 of the corresponding period last year. As at 30 June 2011, the Company has lent to the Chinese Estates Group a total sum of HK\$200,000,000.

## **BUSINESS REVIEW (cont'd)**

### **Finance and Securities Investment (cont'd)**

On the other hand, the investment in various floating rate notes (“FRN”) for long-term investment purpose in the aggregate principal amount of EUR3,800,000 and US\$16,500,000 had contributed an interest income of approximately HK\$2,354,000 during the Period in comparison with HK\$2,151,000 of the last corresponding period. Notwithstanding the performance in European capital investment market continues to be fluctuating, an unrealized exchange gain of HK\$3,544,000 mainly arisen from the FRN that are denominated in European dollar during the Period was recorded. The fair value of the FRN stood at HK\$169,996,000 as at 30 June 2011, comparing with HK\$164,708,000 as at 31 December 2010.

### **Investment Properties**

As at 30 June 2011, 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 78.9% with rental income amounted to about HK\$870,000 for the Period. The rental income represented an increment of 0.69% as compared to the corresponding period of last year. Such increase in rental income was mainly attributable to the increased usage of car parking spaces. Besides, the investment properties were benefited from an unrealized valuation gain of HK\$3,150,000 during the Period.

## **PROSPECTS**

The inflation continues to stand high and haunts the business sector in Hong Kong. The influx of hot money drives the property market investment to a high level, leading to the corresponding increase of property value. The Group’s investment properties in Bank of East Asia Harbour View Centre and No. 9 Queen’s Road Central were benefited from the surge in property market price. On the other hand, the interest margin remains at a comparatively low level, although there were signs for its increase. The interest income generated from the loan to the Chinese Estates Group tends to have moderate increment. The European capital investment market is still entangling with quite serious debts problem of certain European countries and the potential capital growth of the FRN has been pressurized. However, the revenue from the car parking spaces letting is expected to be stable in the near future. Barring any unforeseeable event, the Group’s business prospect remains positive in the immediate future.

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

As at 30 June 2011, none of the directors (the “Directors”) or chief executive(s) of the Company nor their associates had any interests or short position 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 2011, 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%

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 74.94% 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 represent long position which included interests in shares and underlying shares. As at 30 June 2011, 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 consolidated financial statements of the 2010 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 (2010: 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 2011, 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 during the Period, incompliant with the Code except for several minor deviations in form as follows:–

Under code provision A.2 of the Code, one of the important roles of chairman is to ensure management of the board and, among other things, to ensure 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 office of 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 such code provision has been complied with in substance.

Under code provision A.4.1 of the Code, 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 of the Code, 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) of the Code, 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

## **CORPORATE GOVERNANCE (cont'd)**

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 would substantially reduce the cost of the Company in financial accounts reporting and internal controls. The Directors shall continue to 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 the 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 2011, 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\$130,000 to HK\$150,000 per annum for the financial year ending 31 December 2011.

Yunnan Enterprises Holdings Limited, a Hong Kong listed company in which Mr. Lam, Yat-fai (an Independent Non-executive Director of the Company) is acting as an independent non-executive director, changed its name to "Tianda Holdings Limited" with effect from 5 July 2011.

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 2010 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 to our fellow Directors and those who have worked for the Group for their valuable contributions.

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

Hong Kong, 11 August 2011