



G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

**Interim Report
For The Six Months
Ended 30 June 2012**

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CORPORATE INFORMATION

Directors

Executive Directors:

Kong, Chi-ming (*Deputy Chairman*)
Leung, Wing-pong (*Chief Executive Officer*)
Cheung, Wai-kuen
Cheng, Hau-yan

Non-executive Director

Lam, Kwong-wai

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

Wong, Yuet-ying

Auditors

HLB Hodgson Impey Cheng

Solicitors

Chiu & Partners
Sidley Austin LLP

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

40th Floor, Jardine House,
1 Connaught Place, 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) 2620 6623

Fax: (852) 2620 6679

E-mail: ir@g-prop.com.hk

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2012 (the “Period”) together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

| | | For six months ended 30 June | |
|--|--------------|-------------------------------------|-----------------|
| | | 2012 | 2011 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Revenue | 3 | 4,614 | 4,401 |
| Costs of sales | | <u>(74)</u> | <u>(91)</u> |
| Gross profit | | 4,540 | 4,310 |
| Other income | 5 | 426 | 3,691 |
| Administrative expenses | | (1,824) | (1,476) |
| Fair value changes on investment properties | | <u>1,550</u> | <u>3,150</u> |
| Profit before tax | | 4,692 | 9,675 |
| Income tax credit | 7 | <u>66</u> | <u>–</u> |
| Profit for the period | 6 | 4,758 | 9,675 |
| Other comprehensive income: | | | |
| Fair value changes on available-for-sale financial assets | | <u>1,932</u> | <u>260</u> |
| Total comprehensive income for the period | | <u>6,690</u> | <u>9,935</u> |
| Profit for the period attributable to owners of the Company | | <u>4,758</u> | <u>9,675</u> |
| Total comprehensive income for the period attributable to owners of the Company | | <u>6,690</u> | <u>9,935</u> |
| Earnings per share | 9 | | |
| Basic and diluted (HK cents per share) | | <u>0.2</u> | <u>0.4</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

| | <i>Notes</i> | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|---|--------------|--|--|
| Non-current assets | <i>10</i> | | |
| Investment properties | | 33,700 | 32,150 |
| Goodwill | | 2,939 | 2,939 |
| Interests in jointly controlled entities | | – | – |
| Available-for-sale financial assets | <i>11</i> | 36,667 | 34,978 |
| | | <hr/> 73,306 <hr/> | <hr/> 70,067 <hr/> |
| Current assets | | | |
| Available-for-sale financial assets | <i>11</i> | 42,630 | 41,908 |
| Loan to a fellow subsidiary | <i>12</i> | 300,000 | 300,000 |
| Amount due from a fellow subsidiary | <i>13</i> | 2 | – |
| Debtors, deposits and prepayment | <i>14</i> | 641 | 1,061 |
| Time deposits and bank balances | | 76,478 | 75,650 |
| | | <hr/> 419,751 <hr/> | <hr/> 418,619 <hr/> |
| Current liabilities | | | |
| Amount due to ultimate holding company | <i>15</i> | 4 | 3 |
| Amounts due to fellow subsidiaries | <i>15</i> | 101 | 103 |
| Creditors and accruals | <i>16</i> | 626 | 488 |
| Deposits and receipts in advance | | 489 | 438 |
| Tax liabilities | | 22 | 11 |
| | | <hr/> 1,242 <hr/> | <hr/> 1,043 <hr/> |
| Net current assets | | <hr/> 418,509 <hr/> | <hr/> 417,576 <hr/> |
| Total assets less current liabilities | | <hr/> 491,815 <hr/> | <hr/> 487,643 <hr/> |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>17</i> | 24,282 | 24,282 |
| Share premium | | 351,638 | 351,638 |
| Translation reserve | | 234 | 234 |
| Securities investment reserve | | (975) | (2,907) |
| Retained profits | | 116,619 | 114,289 |
| | | <hr/> 491,798 <hr/> | <hr/> 487,536 <hr/> |
| Non-current liability | | | |
| Deferred tax liabilities | | 17 | 107 |
| | | <hr/> 491,815 <hr/> | <hr/> 487,643 <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

| | 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 2011 (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 | - | - | - | 260 | 9,675 | 9,935 |
| Final dividend paid | - | - | - | - | (4,857) | (4,857) |
| At 30 June 2011 (unaudited) | 24,282 | 351,638 | 234 | 1,578 | 113,298 | 491,030 |
| Profit for the period | - | - | - | - | 3,419 | 3,419 |
| Other comprehensive income | - | - | - | (4,485) | - | (4,485) |
| Total comprehensive income/(expense) | - | - | - | (4,485) | 3,419 | (1,066) |
| Interim dividend paid | - | - | - | - | (2,428) | (2,428) |
| At 31 December 2011(audited) | 24,282 | 351,638 | 234 | (2,907) | 114,289 | 487,536 |
| Profit for the period | - | - | - | - | 4,758 | 4,758 |
| Other comprehensive income | - | - | - | 1,932 | - | 1,932 |
| Total comprehensive income for the period | - | - | - | 1,932 | 4,758 | 6,690 |
| Final dividend paid | - | - | - | - | (2,428) | (2,428) |
| At 30 June 2012 (unaudited) | <u>24,282</u> | <u>351,638</u> | <u>234</u> | <u>(975)</u> | <u>116,619</u> | <u>491,798</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

| | For six months ended 30 June | |
|--|------------------------------|---------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | (58) | (476) |
| Net cash generated from investing activities | 3,317 | 2,005 |
| Net cash used in financing activities | (2,431) | (4,857) |
| | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | 828 | (3,328) |
| Effect of foreign exchange rate changes | – | 182 |
| Cash and cash equivalents at 1 January | 75,650 | 91,242 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 June | <u>76,478</u> | <u>88,096</u> |
| | | |
| Analysis of the balance of cash and cash equivalents | | |
| Time deposits and bank balances | <u>76,478</u> | <u>88,096</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 (the “Listing Rules”) 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 2011.

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 “new 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 2011 except as described below.

Within the Period, the Group has applied, for the first time, the following 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:

| | |
|----------------------|--|
| HKFRS 1 (Amendments) | Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| HKFRS 7 (Amendment) | Disclosures – Transfers of Financial Assets |
| HKAS 12 (Amendment) | Income Taxes |

The amendments to HKFRS 7 promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposure relating to transfer of financial assets and the effect of those risks on the Group’s financial position, particularly those involving securitisation financial assets.

The Group has 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.

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.

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

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

| | |
|--|--|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009-2011 Cycle ² |
| HKFRS 1 (Amendments) | Government Loan ² |
| HKFRS 7 (Amendments) | Disclosure – Offsetting Financial Assets and Financial Liabilities ² |
| HKFRS 7 and HKFRS 9 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴ |
| HKFRS 9 | Financial Instruments ⁴ |
| HKFRS 10 | Consolidation Financial Statements ² |
| HKFRS 11 | Joint Arrangements ² |
| HKFRS 12 | Disclosure of Interest in Other Entities ² |
| HKFRS 13 | Fair Value Measurement ² |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) | Consolidation Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ² |
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income ¹ |
| HKAS 19 (Revised 2011) | Employee Benefits ² |
| HKAS 27 (Revised 2011) | Separate Financial Statements ² |
| HKAS 28 (Revised 2011) | Investments in Associates and Joint Ventures ² |
| HKAS 32 (Amendments) | Presentation – Offsetting Financial Assets and Financial Liabilities ³ |
| HK (IFRIC) – Int 20 | Stripping Costs in Production Phase of a Surface Mine ² |

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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.

3. Revenue

For six months ended 30 June

| | |
|--------------------|-------------|
| 2012 | 2011 |
| (Unaudited) | (Unaudited) |
| HK\$'000 | HK\$'000 |

Revenue represents the aggregate amounts received and receivable from third parties and analysed as follows:

| | | |
|---|--------------|--------------|
| Property rental income | 930 | 870 |
| Interest income from investment and finance | 3,684 | 3,531 |
| | <u>4,614</u> | <u>4,401</u> |

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

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.

The Group has engaged in two reportable segments (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 evaluates performance on the basis of profit or loss from operations before tax expense but not including the major non-cash items. The major non-cash item is fair value changes on investment properties. There is no intersegment revenue accountable for in both periods.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2011.

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.

Included in revenue arising from investment and finance of HK\$3,684,000 (2011: HK\$3,531,000) is revenue of approximately HK\$3,228,000 (2011: HK\$3,123,000) which arose from the Group's two (2011: four) major customers and each customer accounted for more than 10% of the Group's total revenue.

Operating segment information is presented below:

Condensed Consolidation Statements of Comprehensive Income

For the six months ended 30 June 2012

| | 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 | <u>3,684</u> | <u>930</u> | <u>4,614</u> |
| Results | | | |
| Segment results for reportable segments | <u>3,548</u> | <u>864</u> | 4,412 |
| Unallocated items: | | | |
| Interest income | | | 248 |
| Unallocated corporate expenses, net | | | (1,518) |
| Income tax credit | | | <u>66</u> |
| Core profit (excluding major non-cash item) | | | 3,208 |
| Major non-cash item | | | |
| Fair value changes on investment properties | | | <u>1,550</u> |
| Profit for the period attributable to owners of the Company | | | <u><u>4,758</u></u> |

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

4. Operating segments (cont'd)

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

| | 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 | <u>450,204</u> | <u>39,914</u> | 490,118 |
| Unallocated corporate assets | | | <u>2,939</u> |
| Consolidated total assets | | | <u>493,057</u> |
| Liabilities | | | |
| Segment liabilities for reportable segments | <u>715</u> | <u>505</u> | 1,220 |
| Unallocated corporate liabilities | | | <u>39</u> |
| Consolidated total liabilities | | | <u>1,259</u> |

Condensed Consolidation Statements of Comprehensive Income

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> |
|--|---|--|--|
| Revenue | | | |
| Revenue from external customers | <u>3,531</u> | <u>870</u> | <u>4,401</u> |
| Results | | | |
| Segment results for reportable segments | <u>7,075</u> | <u>787</u> | 7,862 |
| Unallocated items: | | | |
| 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> |
| Profit for the period attributable to owners of the Company | | | <u>9,675</u> |

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

4. Operating segments (cont'd)

Condensed Consolidated Statement of Financial Position
As at 31 December 2011

| | Investment and finance (Unaudited) HK\$'000 | Properties investment (Unaudited) HK\$'000 | Consolidated (Unaudited) HK\$'000 |
|---|--|---|---|
| Assets | | | |
| Segment assets for reportable segments | 448,279 | 37,468 | 485,747 |
| Unallocated corporate assets | | | 2,939 |
| Consolidated total assets | | | 488,686 |
| Liabilities | | | |
| Segment liabilities for reportable segments | 536 | 496 | 1,032 |
| Unallocated corporate liabilities | | | 118 |
| Consolidated total liabilities | | | 1,150 |

Geographical information

For the periods ended 30 June 2012 and 2011, all the Group's operations are located in Hong Kong. The Group's revenue is all derived from Hong Kong for both periods.

5. Other income

| | For six months ended 30 June | |
|-------------------------------|-------------------------------------|--------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Included in other income are: | | |
| Interest income | 248 | 139 |
| Other property income | 8 | 8 |
| Other income | 170 | – |
| Exchange gain, net | – | 3,544 |
| | <u>426</u> | <u>3,691</u> |

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

6. Profit for the period

| | For six months ended 30 June | |
|--|------------------------------|-------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period has been arrived at after (charging)/crediting: | | |
| Total staff costs: | | |
| Directors' emoluments | (235) | (235) |
| Salaries and other benefits | (611) | (520) |
| Retirement benefit scheme contributions | (35) | (23) |
| | (881) | (778) |
| Auditors' remuneration | (149) | (150) |
| Exchange loss, net | (136) | - |
| Gross rental income from investment properties | 930 | 870 |
| Less: Direct operating expenses from investment properties that generated rental income during the period | (68) | (88) |
| Direct operating expenses from investment properties that did not generate rental income during the period | (6) | (3) |
| | <u>856</u> | <u>779</u> |

7. Income tax credit

| | For six months ended 30 June | |
|--------------------------------|------------------------------|-------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| The credit/(charge) comprises: | | |
| Current tax: | | |
| Hong Kong Profit Tax | (24) | - |
| Deferred Tax | | |
| Current period | 90 | - |
| | <u>66</u> | <u>-</u> |

Hong Kong profit tax is calculated at 16.5% on the estimated profit for the both periods.

8. Dividend

| | For six months ended 30 June | |
|---|------------------------------|--------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Final dividend for 2011 paid on 13 Jun 2012 of HK0.1 cent (2010: HK0.2 cents) per share | <u>2,428</u> | <u>4,857</u> |

On 18 July 2012, the Directors declared a special dividend of HK4.5 cents per ordinary share amounted to approximately HK\$109,271,000 for the year ending 31 December 2012 (2011: Nil). The special dividend was recorded on 3 August 2012 and was paid on 14 August 2012.

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

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK\$4,758,000 for the Period (2011: HK\$9,675,000) and the weighted average number of 2,428,255,008 (2011: 2,428,255,008) ordinary shares in issue during the Periods.

Diluted earnings per share for the period ended 30 June 2012 and 2011 was the same as the basic earnings per share as there were no diluting events during both periods.

10. Investment properties

| | <i>HK\$'000</i> |
|---|-----------------|
| Fair value | |
| At 1 January 2011 | 28,350 |
| Fair value changes recognised in consolidated statement of comprehensive income | 3,800 |
| | <hr/> |
| At 31 December 2011 | 32,150 |
| Fair value changes recognised in consolidated statement of comprehensive income | 1,550 |
| | <hr/> |
| At 30 June 2012 | 33,700 |
| | <hr/> <hr/> |

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.

Property valuations as at 30 June 2012 and 31 December 2011 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.

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

11. Available-for-sale financial assets

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|---|--|--|
| Available-for-sale financial assets comprise: | | |
| Floating rate notes | | |
| Unlisted | <u>79,297</u> | <u>76,886</u> |
| Analysis for reporting purposes as: | | |
| Non-current assets | <u>36,667</u> | 34,978 |
| Current assets | <u>42,630</u> | <u>41,908</u> |
| | <u>79,297</u> | <u>76,886</u> |

The unlisted floating rate notes carry floating interest at LIBOR plus 0.3% to 0.35% per annum. These floating rate notes will mature between 2012 and 2014.

12. Loan to a fellow subsidiary

On 22 September 2011, the Company, as lender, entered into a loan agreement with Fancy Mark Limited ("Fancy Mark"), a subsidiary of Chinese Estates Holdings Limited ("Chinese Estates"), as borrower, and Chinese Estates, as guarantor, to grant a three-year revolving facility of up to HK\$300,000,000 (the "Revolving Loan") to Fancy Mark commenced from 3 November 2011 at an interest rate of HIBOR plus 1.5% per annum. For details, please refer to the Company's circular dated 12 October 2011. As stated the Company's announcement dated 18 July 2012, to facilitate the payment of the special dividend as detailed in Note 8, the Company has called for early repayment of a portion of the principal to Fancy Mark and the principal of HK\$80,000,000 was repaid on 3 August 2012.

| Name of fellow subsidiary | Highest balance during the period | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|----------------------------------|--|--|--|
| Fancy Mark | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> |

On 5 July 2012, the Company announced the Mass Rise Limited and Asian Kingdom Limited (the "Vendors"), a subsidiary of the Chinese Estates and the substantial shareholders of the Company (the "Shareholders") together holding approximately 62.26% interest in the entire issued share capital of the Company agreed to sell their entire shareholding in the Company to Champion Dynasty Limited (the "Offeror"). The share transaction was completed on 6 August 2012. As Chinese Estates had ceased to be the ultimate holding company of the Company, the loan to Fancy Mark was reclassified as a loan receivable-due after one year of the Group with effect from 6 August 2012.

13. Amount due from a fellow subsidiary

Amount due from a fellow subsidiary is unsecured, interest-free and has no fixed repayment term.

| Name of fellow subsidiary | Highest balance during the period | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|--|--|--|--|
| Chi Cheung Investment Company, Limited | <u>2</u> | <u>2</u> | <u>Nil</u> |

The amount due represents common expenses disbursement which was paid by the Group on behalf of this fellow subsidiary.

As mentioned in the Note 12, the share transaction was completed on 6 August 2012. As Chinese Estates had ceased to be the holding company of the Company, amount due from a fellow subsidiary was fully settled before 6 August 2012.

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

14. Debtors, deposits and prepayments

There were no trade debtors included in debtors, deposits and prepayments as at 30 June 2012 (31 Dec 2011: HK\$8,000).

The following is the aged analysis of trade receivable (net of allowance for doubtful debts), at the end of the period:

| | 30 June 2012 (Unaudited) HK\$'000 | 31 December 2011 (Audited) HK\$'000 |
|--------------|--|--|
| 0 – 30 days | – | 4 |
| 31 – 60 days | – | 4 |
| | <u>–</u> | <u>4</u> |
| | <u>–</u> | <u>8</u> |

The Directors consider that the carrying amounts of the Group's debtors, deposits and repayments approximate their fair values.

15. Amount due to ultimate holding company/fellow subsidiaries

Amount due to ultimate holding company/fellow subsidiaries are unsecured, interest-free and repayable on demand. As mentioned in the Note 12, the share transaction was completed on 6 August 2012. As Chinese Estates had ceased to be the ultimate holding company of the Company, amount due to ultimate holding company and amounts due to fellow subsidiaries were reclassified as creditors of the Group with effect from 6 August 2012.

16. Creditors and accruals

There were no trade payables included in creditors and accruals as at 30 June 2012 and 31 December 2011.

17. Share capital

| | Number of shares | Share capital HK\$'000 |
|--|-----------------------------|---------------------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 January 2011, 31 December 2011 and 30 June 2012 | <u>80,000,000,000</u> | <u>800,000</u> |
| Issued and fully paid: | | |
| At 1 January 2011, 31 December 2011 and 30 June 2012 | <u>2,428,255,008</u> | <u>24,282</u> |

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

18. Related party transactions

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

| | For six months ended 30 June | |
|--|------------------------------|--------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest income on loan to a fellow subsidiary (<i>Note 1</i>) | 2,724 | 1,177 |
| Management fee paid to a fellow subsidiary (<i>Note 2</i>) | 36 | 52 |
| | <u>2,760</u> | <u>1,229</u> |

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.

19. Comparative figures

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

INTERIM DIVIDEND

Since the Company has declared a special dividend of HK4.5cents per ordinary share on 18 July 2012, the Board has resolved not to declare payment of any interim dividend for the Period (2011: HK 0.1 cent per share).

FINANCIAL OPERATION REVIEW

Results

Revenue for the Period was HK\$4,614,000 (2011: HK\$4,401,000), an increase of HK\$213,000 when compared with last period. Gross profit for the Period amounted to HK\$4,540,000 (2011: HK\$4,310,000), an increase of 5.3% as compared with last period.

Income from the investment and finance segment represents interest income from floating rate notes ("FRN") of HK\$960,000 (2011: HK\$2,354,000) and loan to fellow subsidiary of HK\$2,724,000 (2011: HK\$1,177,000) for the Period. Drop of FRN interest income because certain FRN were matured in 2011, whereas the increase of interest income from loan to a fellow subsidiary mainly resulted from increase in principal and interest rate after renewal in 2011.

For property leasing, the rental income increased to HK\$930,000 (2011: HK\$870,000), as a result of a slight increase in occupancy rate of the properties. Included in the current period result was an increase in fair value of investment properties of HK\$1,550,000 (2011: HK\$3,150,000).

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period was HK\$4,758,000 compared with HK\$9,675,000 in last period. The decline in profit mainly attributed to the absence of exchange gain for the Period and decrease in fair value gain on investment properties as compare to last period. The basic and diluted earnings per share are HK0.2 cents (2011: HK0.4 cents).

Core Profit

The major non-cash item for the Period was the increase in fair value of investment properties of HK\$1,550,000 (2011: HK\$3,150,000). The core profit attributable to owners of the Company will drop to HK\$3,208,000 (2011: HK\$6,525,000) when the major non-cash item is excluded.

Net Asset Value

As at 30 June 2012, the Group's net assets was HK\$491,798,000 (31 December 2011: HK\$487,536,000), an increase of HK\$4,262,000 as compared with last year. The net change was caused by (a) final dividend paid for 2011 of HK\$2,428,000; (b) profit for the Period of HK\$4,758,000; and (c) increase in fair value of available-for-sale financial assets of HK\$1,932,000.

Net asset value per share attributable to owners of the Company as at 30 June 2012 was HK20 cents (31 December 2011: HK20 cents).

Investment and Finance

As at 30 June 2012, the Group had certain long and short term the FRN in principal amount of US\$10,500,000 as available-for-sale financial assets. The interest rates are calculated with reference to LIBOR and the carrying amount is approximately HK\$79,297,000. The Group also made the Revolving Loan to Fancy Mark of HK\$300,000,000 at HIBOR plus 1.5% per annum. No hedging for interest rate and foreign currency was subsisted during the Period.

FINANCIAL OPERATION REVIEW (cont'd)

Equity

The number of issued ordinary shares as at 30 June 2012 and 31 December 2011 was 2,428,255,008.

Debt and Gearing

The Group did not have any borrowings as at 30 June 2012 and 31 December 2011.

Time deposits and bank balances as at 30 June 2012 was approximately HK\$76,478,000 (31 December 2011: HK\$75,650,000). 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 2012 and 31 December 2011, 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 2012 and 31 December 2011.

Financial and Interest Income/Expenses

Interest income was included in both revenue and other income for the Period. Recorded in revenue for the Period was interest income derived from FRN and the Revolving Loan to Fancy Mark, amounting to HK\$3,684,000 (2011: HK\$3,531,000). Recorded in other income was bank interest income, amounting HK\$248,000 (2011: HK\$139,000). There was no finance cost (2011: Nil) during the Period.

Remuneration Policies and Share Option Scheme

As at 30 June 2012, the Group did not employ any staff (31 December 2011: Nil). Total staff cost excluding Directors' emoluments for the Period was approximately HK\$646,000 (2011: HK\$543,000) representing the staff cost recharged from other fellow subsidiaries of the Company. The share option scheme had been adopted since 15 February 2002 and expired on 14 February 2012. No option was outstanding at the beginning of the Period and at the expired date. No option was granted, exercised, cancelled or lapsed during the Period.

Property Valuation

A property valuation has been carried out by B.I. Appraisals, independent qualified professional valuers, in respect of the Group's investment properties as at 30 June 2012 and it was used in preparing 2012 interim results. The property valuation as at 31 December 2011 was also carried out by BI Appraisals. The valuation was based on either direct comparison approach assuming 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, or investment method by taking into account the current passing rents and the reversionary income potential of such properties.

The Group's investment properties were valued at HK\$33,700,000 as at 30 June 2012, the increase in fair value of HK\$1,550,000 was credited to the condensed consolidated statement of comprehensive income for the Period.

BUSINESS REVIEW

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

Investment and Finance

The Revolving Loan in sum of HK\$300,000,000 was made in November 2011 to Fancy Mark at the interest rate of HIBOR plus 1.5% per annum. The Company had made an accrual comprises of interest income about HK\$2,724,000 during the Period comparing HK\$1,177,000 of the last period.

Meanwhile, the investment in FRN for long-term investment in USD denominated principal brought with an interest income of about HK\$960,000 during the Period, in comparison with HK\$2,354,000 of the last period.

Investment Properties

As at 30 June 2012, the Group held 25 car parking spaces with 5 adjoining spaces and a carport basement situated in Wanchai and Central. The relevant occupancy rate was approximately 83.33% with rental income amounted to about HK\$930,000 for the Period. The rental income represented an increment of 6.9% as compared to the last period. Such increase in rental income was mainly attributable to the increased usage of car parking spaces. Meanwhile, an unrealised fair value gain of HK\$1,550,000 on the investment properties was recorded during the Period.

EVENTS AFTER THE REPORTING PERIOD

On 5 July 2012, the Company announced that the Vendors, the substantial Shareholders together holding approximately 62.26% interest in the entire issued share capital of the Company agreed to sell their entire shareholding in the Company to the Offeror. The share transaction was completed on 6 August 2012. A mandatory general cash offer (the "Offer") was made at HK\$0.28019 per share to the Shareholders other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it (the meaning ascribed to it in the Hong Kong Code on Takeovers and Mergers) for acquisition of the remaining 37.74% in the issued share capital of the Company was made on 13 August 2012 and a composite offer and response documents for such purpose in joint names of the Company and the Offeror was despatched to the Shareholders at same day. The Offer will be closed on 3 September 2012 and an announcement of the result of the Offer to be posted on the website of the Stock Exchange not later than 7:00pm on 3 September 2012. The details of the Offer were contained in the composite offer and response documents dated 13 August 2012 which was jointly issued by the Company and the Offeror.

On 18 July 2012, the Company declared the payment of a special dividend in a sum of HK4.5cents per share to the registered Shareholders whose names appeared in the register of members of the Company at the close of business on 3 August 2012. The special dividend was paid on 14 August 2012.

On 3 August 2012, Fancy Mark repaid portion of the Revolving Loan with a sum of HK\$80,000,000 to the Company. At the date of this report, the balance of the Revolving Loan is HK\$220,000,000. The intention of Company to call for fully or partially repayment of this balance of the Revolving Loan when (i) the Directors consider it is in the interest of the Company to do so and (ii) alternatives to the current investment become available. However, it is not the intention of the Company to call for repayment of the Revolving Loan upon the date of this report.

EVENTS AFTER THE REPORTING PERIOD (cont'd)

On 6 August 2012, a placing agreement was entered into between (among other parties) the Offeror and Quam Securities Company Limited, pursuant to which Quam Securities Company Limited had agreed to procure places to take up Shares, on a best effort basis, in order to restore the minimum public float as required under the Listing Rules after closing of the Offer. In the event that after completion of the Offer, if the public float of the Company still falls below 25%, the Directors who had been nominated by the Offeror undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules to ensure that sufficient public float exists for the shares of the Company following the close of the Offer.

Effect from 6 August 2012, Mr. Lam, Kwong-wai (“Mr. Lam”) was resigned and Miss Wong Yuet Ying (“Miss Wong”) was appointed as the Company Secretary and Group Financial Controller of the Company. Before the appointment of Miss Wong, there was no employee employed by the Group. At the date of this report, there are two employee employed by the Group and the Group is still in progress of recruitment of appropriate staff to take over the human resources support from Chinese Estates’s group which had ceased with effect from 6 August 2012.

Before 14 August 2012, the Board was made up of five Directors, comprising two executive Directors, being Mr. Kong, Chi-ming and Mr. Leung, Wing-pong and three independent non-executive Directors, being Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai. The Offeror does not have intention to request for resignation of any independent non-executive Directors. It is expected that the current independent non-executive Directors will continue to remain in their offices after the close of the Offer. It is expected that Mr. Kong, Chi-ming and Mr. Leung, Wing-pong will resign from their offices of executive Directors after the close of the Offer. Effect from 14 August 2012, the Offeror nominated and the Company appointed Mr. Cheung Wai Kuen (“Mr. Cheung”) and Mr. Cheng Hau Yan (“Mr. HY Cheng”) as executive Directors and Mr. Lam (the formerly Company Secretary and Group Financial Controller of the Company) as non-executive Director. They will be entitled to annual remuneration of HK\$150,000 as determined by the Board. The annual remuneration of Mr. Cheung and Mr. HY Cheng are subject to annual review with reference to his duties and responsibilities as well as the prevailing market condition and the annual remuneration of Mr. Lam is subject to annual review with reference to his duties and responsibilities. The details of such appointments were contained in the announcement of the Company dated 14 August 2012.

PROSPECTS

As above foresaid, the share transaction between the Vendors and the Offeror was completed on 6 August 2012 and the Offeror is a substantial Shareholder who holds approximately 62.26% interest in the entire issued share capital of the Company at the date of this report. It is intention of the Offeror that the Group will continue its existing principal business. The Offeror has no intention to introduce any major changes to the existing business and operation of the Group or dispose of the Group’s business after completion of the Offer. The Offeror will, following the completion of the Offer, conduct a detailed review of the operations of the Group with a view to developing corporate strategy to enhance its existing business and asset base and broaden its income stream, which may include further investing in and expansion of existing businesses of the Group should appropriate opportunities arise.

At the date of this report, the Offeror has no plan of injecting any of its assets into the Group or redeploying the employees of the Group and fixed assets of the Group other than in the ordinary course of business.

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

As at 30 June 2012, none of 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 Listing Rules (the "Model Code"). 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 2012, 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 |
|--|-----------------------------------|--|-------|------------------------------------|
| Champion Dynasty Limited ("Champion") | 1,512,059,473 | Beneficial owner | 1 | 62.26% |
| Cheung Wai Kuen ("Mr. Cheung") | 1,512,059,473 | Interest of controlled corporation | 1 | 62.26% |
| Mr. Joseph Lau, Luen-hung ("Mr. Lau") | 1,512,059,473 | Founder of trust; beneficiary of trust and interest of controlled corporations | 2 & 4 | 62.26% |
| Asian Kingdom Limited ("Asian Kingdom") | 493,678,883 | Beneficial owner | 2 | 20.33% |
| Crown Jade Limited ("Crown Jade") | 493,678,883 | Interest of controlled corporation | 2 | 20.33% |
| Global King (PTC) Ltd. | 1,018,380,590 | Trustee | 3 | 41.93% |
| GZ Trust Corporation | 1,018,380,590 | Trustee, beneficiary of trust and interest of controlled corporations | 3 | 41.93% |
| Chinese Estates Holdings Limited ("Chinese Estates") | 1,018,380,590 | Interest of controlled corporations | 3 | 41.93% |
| Mass Rise Limited ("Mass Rise") | 1,018,380,590 | Beneficial owner | 3 | 41.93% |

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

Notes:

1. Upon signing sales purchase agreement dated 16 June 2012 (which entered among Asia Kingdom and Mass Rise as Vendors, Crown Jade as Warrantor of Asian Kingdom, Chinese Estates as Warrantor of Mass Rise, Champion as purchaser and Mr. Cheung as guarantor of Champion), Champion was deemed under provision of the SFO to be interested (as beneficial owner) in 1,512,059,473 Shares. Champion is wholly and beneficially owned by Mr. Cheung and then Mr. Cheung was deemed to be interested in the same interests stated against Champion.
2. The entire issued share capital of Asian Kingdom is owned by Crown Jade, the entire issued share capital of which is wholly-owned by Mr. Lau. Crown Jade and Mr. Lau were deemed to be interested in the same parcel of shares in which Asian Kingdom was interested.
3. 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.
4. Mr. Lau, by virtue of his 74.99% 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 2012, 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 and expired on 14 February 2012. Details of the 2002 Scheme were set out in the consolidated financial statements of the 2011 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 (2011: 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.

CORPORATE GOVERNANCE

The Company had fully applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code"), which was formerly known as Code on Corporate Governance Practices, 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 the deviations as follows:

Under Code provisions A.2 of the CG 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 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 considered that such code provision has been complied with in substance.

CORPORATE GOVERNANCE (cont'd)

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for specific terms and subject to re-election. The Independent Non-executive Directors, 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 CG Code, the board of the directors of a listed company should consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the listed company's accounting and financial reporting function as part of internal control of the listed company in the annual review. Under code provision C.3.3(g) of the CG Code, the terms of reference of the audit committee of a listed company should include the duty to discuss the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system and such discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the listed company's accounting and financial reporting function. During the Period, although the Company did not have any staff, the Board has secured the assistance of Chinese Estates's group, 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 Board believed that such arrangement with Chinese Estates's group would substantially reduce cost of the Company in accounting, financial reporting and internal control function. As the above mentioned that the Offeror had completed share transaction and the Board is in progress of establishing a new, high efficient, effective and independent financial report system and internal control system of the Company and considers the Company will be fully complied with this code.

Under code provision C.3.7 of the CG Code, the terms of reference of the audit committee of a listed company should also require to review arrangements that the employees of the listed company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and the audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. As the Company did not have any employee up to 6 August 2012, the Board considered that it may not cause material effect on the functions of financial reporting, internal control or other related matters without the relevant arrangement in place. At the date of this report, there are two employees has been employed by the Company, the Board is in progress of preparing the necessary arrangement.

Under code provision D1.4 of CG Code, the listed company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. Owing to the receipt of the notice of intention form the substantial Shareholders to dispose their controlling interests in the Company and consideration of the relevant works to cope with such change of control of the Company, including appointment of new Directors to the Board in August 2012, the existing Board has prepared and signed the service contracts with for the new Directors who are Mr. Cheung, Mr. HY Cheng and Mr. Lam with key terms and conditions on 14 August 2012. The Company is in progress to be complied with this code.

Under code provision F1.1 of CG Code, the company secretary should be an employee of the listed company and should have day-to-day knowledge of the listed company's affair. Mr. Lam has taken up the position as Group Financial Controller since 2003 and Company Secretary of the Company since 2007 and he has extensive day-to-day knowledge of the Company, notwithstanding that he is not an employee of the Company. Apart from being the company secretary of Chinese Estates's group, the holding company of the Company since 1994 up to the date of this report, he also is an executive director and group financial controller of the Chinese Estates's group. The Board considered that his services as the Company Secretary of the Company are indispensable and he resigned from the post of Company Secretary and Group Financial Controller of the Company with effect from 6 August 2012. On 6 August 2012, the Board appointed Miss Wong as full time employee to take up that position. Since 6 August 2012, the Company has been fully complied with this code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 ADVANCE TO AN ENTITY UNDER RULE 13.20 OF THE LISTING RULES

On 22 September 2011, the Company, as lender, entered into a loan agreement with Fancy Mark, a subsidiary of Chinese Estates, as borrower, and Chinese Estates, as guarantor, to grant a three-year revolving facility of up to HK\$300,000,000 to Fancy Mark commenced from 3 November 2011 at an interest rate of HIBOR plus 1.5% per annum. The loan had been granted for the capital expenditure and general working capital of Chinese Estates and its subsidiaries. For details, please refer to the Company’s circular dated 12 October 2011.

As at 30 June 2012, pursuant to Rule 13.20 of the Listing Rules, the Group had made advances of HK\$300,000,000 at HIBOR plus 1.5% per annum to Fancy Mark. The Chinese Estates acting as the guarantor, but is unsecured, and repayable on demand. As stated the Company’s announcement dated 18 July 2012, to facilitate the payment of the special dividend as detailed in Note 8, the Company has called for early repayment of a portion of the loan to Fancy Mark and HK\$80,000,000 was repaid on 3 August 2012.

On 5 July 2012, the Company announced the vendors, the substantial Shareholders together holding approximately 62.26% interest in the entire issued share capital of the Company, agreed to sell their entire shareholding in the Company to the Offeror. The share transaction was completed on 6 August 2012. As Chinese Estates ceased to be the ultimate holding company of the Company, the loan to Fancy Mark was reclassified as a loan receivable-due after one year of the Company with effect from 6 August 2012.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

As at 30 June 2012, 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 2011 annual report of the Company.

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.

APPRECIATION

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

By Order of the Board
Kong, Chi Ming
Deputy Chairman

Hong Kong, 31 August 2012