

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

### **Property Investment in PRC**

The economy of China remained vigorous in the first half of 2006. The GDP for the second quarter was 11.3% better than that of 2005. Some worries about the economy turning overheated were heard again. The Central Government continued to monitor and handle the situation with care. The People's Bank raised lending rates first in April and again in July 2006.

The property market in Shanghai was relatively stable during the first half of 2006. The Group's investment properties there continued to provide a steady source of rental income, as they are all located inside the inner circle of the city where demand remains strong.

### **PROSPECTS**

#### **General Trading**

After the rapid rise in April and May, the prices of imported fishmeal have consolidated gradually for nearly three months. By the end of August, the prices were about 20% below their record highs. The price adjustment, however, was considered insufficient by many of the end consumers in China. Most buyers, including distributors, were reluctant to enter into the market at such price levels.

It seems that the high prices have shifted the balance between supply and demand. As a consequence of shrinkage in transactions in the fishmeal market, we anticipate that the turnover of our fishmeal business in 2006 will be lower than that of 2005 in terms of tonnage. Despite such adverse market conditions, we did not see any significant drop in our market share in the first half year. We are confident that, for the year 2006 as a whole, the fishmeal business of the Group will maintain its market share and will contribute positively to the Group's results.

#### **Property Investment**

After seventeen consecutive rises of 0.25% each, the US Federal Reserve decided to leave the federal funds rate intact in its August and September meetings. Whilst some analysts viewed this as a hint that the US Federal Reserve was approaching the end of its two-year tightening cycle, others still worried that inflationary pressure would force the US Federal Reserve to further raise interest rates in the near future.

The views on the direction of the interest rate in China are less divided. Most analysts believe that the People's Bank will continue to raise rates to cool down the economy, as a precaution to prevent it from turning overheated.

Since the end of June, the Group has concluded agreements for the renewal or replacement of some tenancies that expired after the half-year end date. Currently, all our investment properties in Hong Kong are leased out at market rates.

On 24 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration of Industry and Commerce and the State Administration of Foreign Exchange jointly issued a document (hereafter referred to as "Document No 171") containing new proposals to regulate foreign investment in China's real estate sector. The proposals included an increase in the ratio of registered capital in property developers' overall investment and restrictions on residential property purchases by foreign institutions and individuals.

Taken into consideration the possible effects of the restrictions imposed by Document No 171 on the purchases of residential properties by foreigners, the Group has decided to restructure its China property portfolio by disposing the residential properties and concentrating more on the commercial and/or retail properties.

## PROSPECTS (Cont'd)

### Property Investment (Cont'd)

In Shanghai, we are finalizing details of the marketing plan for upper floors of Merry Tower. Sales of these apartments will be launched in the near future. Due to the possible effects of Document No 171, we may not be too aggressive in pricing the apartments and we anticipate that it may take some time to locate suitable buyers. Nevertheless, the apartments will still contribute positively to the Group's results because they were purchased at a very modest price.

In line with our policy of switching from residential to commercial properties, we are also changing one of our investment properties in Shanghai from serviced apartments to commercial use. We expect that, after the change, the property will provide the Group with a steadier source of rental income, and a better return on capital.

We are optimistic about the long term growth of China. We believe our investments in properties will benefit from such growth. The Group will continue to search in Shanghai and Hong Kong for commercial and/or retail properties in good locations with higher yields and better potential for future capital appreciation.

### INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At a meeting held on 22 September 2006, the directors declared an interim dividend of HK\$0.01 per share (2005: HK\$0.01) payable on or about 26 October 2006 to the shareholders of the Company whose names are on the register of members on 12 October 2006.

The register of members of the Company will be closed from 10 October 2006 to 12 October 2006, both dates inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Abacus Share Registrars Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 pm on 9 October 2006.

### DIRECTORS' INTERESTS AND SHORT POSITIONS

At 30 June 2006, the interests and short positions of each director in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("the Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Director	Personal Interests	Family Interest	Corporate Interests	Other Interest	Total	% of Issued Share Capital
Mr Rustom Ming Yu HO	–	–	138,347,288*	–	138,347,288	52.87
Mr John Ming Tak HO	–	600,000	138,347,288*	–	138,947,288	53.10

\* By virtue of the SFO, both Mr Rustom Ming Yu HO and Mr John Ming Tak HO are deemed to have interests in the 138,347,288 shares held by Fulcrest Limited, a company incorporated in Hong Kong and the ultimate holding company of which is controlled by Mr Rustom Ming Yu HO and Mr John Ming Tak HO. Interests in the same shares are also shown under the section headed "Substantial Shareholders' Interests and Short Positions" below.