



MANAGEMENT DISCUSSION AND ANALYSIS 管理層之討論及分析

RESULTS OF OPERATION

The Group's business is investment in properties, listed and unlisted equity and securities. The Group's portfolio comprises high to low risk investments. The diversification aims to smoothen out the overall risk of the portfolio.

As at the end of the first half of 2006, the Group's major investments are as follows:

Investments	Description
AsiaWorld-Expo	An exhibition facility in Hong Kong
Retail Properties	Retail shops in Mongkok and Causeway Bay, the prime retail location in Kowloon and Hong Kong respectively
Grand China Air Co., Ltd. ("Grand China")	The single largest shareholder of Hainan Airlines, the No. 4 aviation group in the People's Republic of China (the "PRC"), and a strategic shareholder holding 45% interest in CR Airways Limited ("CR Airways"), the third passenger airline in Hong Kong flying to cities in the PRC and Southern Asia
Debts and Equities	A portfolio of debts and equities
Oriental Cashmere Limited ("OCL")	A cashmere knitwear manufacturer

營運概覽

本集團業務為於物業、上市及非上市證券的投資。本集團的投資組合包括高至低風險的投資項目。多元化的投資選擇旨在降低投資組合的整體風險。

於二零零六年上半年末，本集團主要投資項目如下：

投資項目	詳情
亞洲國際博覽館	位於香港之展覽設施
零售物業	分別位於九龍及香港黃金地段的旺角及銅鑼灣的零售商舖
新華航空控股有限公司 （「新華航空」）	中華人民共和國（「中國」）第四大航空公司海南航空之最大單一股東，亦為擁有中富航空有限公司（「中富航空」）45%股權之策略股東，香港第三家客運航空公司，飛往中國與南亞城市
債務及股本	債務及股本組合
Oriental Cashmere Limited （「東方羊絨」）	羊絨毛衣製造商



During the first half of 2006, the Group completed the acquisition of the retail properties in Causeway Bay, and made advanced progress to convert it into a shopping mall. Retail shops at Argyle Centre had a moderate growth in rental rate. Both our investments in tradable equity and high-yield bonds reported profits. As AsiaWorld-Expo officially commenced operation in January 2006, the Group started amortizing its investment over the remaining project period, and accruing its entitlement to the preference share dividend during the first half of 2006. CR Airways introduced a major airline in the PRC as a strategic shareholder, who helped accelerate the fleet expansion into bigger aircraft - Boeing 737-800. OCL reported a small loss in the first half in a typically low season for cashmere.

The net profit of the Group for the first half of 2006 was lower than that of 2005, due mainly to the absence of significant profit from property revaluation.

INVESTMENT REVIEW

As at 30th June, 2006, the Group's major investments were in AsiaWorld-Expo, Argyle Centre (retail shops in Mongkok), Timeplus (the new shopping mall in Causeway Bay), Ginza Plaza (retail shops in Mongkok), Grand China, OCL (a cashmere manufacturer in the PRC), high-yield bonds and equity securities.

AsiaWorld-Expo

The Group owns 60% interests in a private sector consortium ("JVP") that owns 13.5% interests in AsiaWorld-Expo, a 66,000 sqm permanent exhibition center located at the Hong Kong International Airport, with a capacity of expanding into a 100,000 sqm exhibition facility. The other shareholders of JVP are the Hong Kong Government and the Airport Authority. The Group also owns 40% interests in the operator of AsiaWorld-Expo.

AsiaWorld-Expo is a column-free structure under one roof, with a dedicated Mass Transit Railway station – the "AsiaWorld-Expo Station". The facility was officially opened in December 2005. Bookings are well into 2009, with revenue exceeding the budget originally planned at the time of our initial investment. There were more than 50 events up to the financial year ending 31st March, 2007. Its world-class specifications attracted a number of major international exhibitions to relocate to Hong Kong :

於二零零六年上半年期間，本集團完成收購位於銅鑼灣的零售物業，並在將其轉化為大型購物中心方面取得進展。位於旺角中心的零售商舖租金率已有溫和增長。本集團於可買賣股票及高息債券之投資均雙雙告捷，錄得盈利。由於亞洲國際博覽館已於二零零六年一月正式開始運作，本集團已開始按餘下項目期間攤銷其投資，並於二零零六年上半年期間取得收取優先股股息之權利。中富航空引入一間中國大型航空公司作為策略股東，有助於加速機隊擴展至大型飛機—波音737-800。東方羊絨於上半年羊絨典型的淡季錄得輕微虧損。

本集團二零零六年上半年溢利淨額較二零零五年低，主要由於缺乏重大的物業重估溢利。

投資回顧

於二零零六年六月三十日，本集團的主要投資項目為亞洲國際博覽館、旺角中心（位於旺角的零售商舖）、Timeplus（位於銅鑼灣的新購物中心）、銀城廣場（位於旺角的零售商舖）、新華航空、東方羊絨（位於中國的羊絨製造商）、高息債券及股票。

亞洲國際博覽館

本集團擁有一個私人財團（「合營企業」）60%的權益，而該合營企業擁有亞洲國際博覽館13.5%的權益。亞洲國際博覽館位於香港國際機場，提供面積達66,000平方米的永久展覽場地，更可擴展成為面積達100,000平方米的展覽設施。合營企業的其他股東為香港政府及機場管理局，本集團亦擁有亞洲國際博覽館經營者40%的權益。

亞洲國際博覽館乃一座無柱位建築物，並擁有專用的地下鐵路車站—「博覽館站」。該設施於二零零五年十二月已正式開幕。訂場租約已遠至二零零九年，收益更遠遠超過本集團於初步投資時原先規劃的預算金額。截至二零零七年三月三十一日止財政年度展覽會項目逾五十個。該設施的世界級設備吸引多個國際大型展覽會移師香港舉行：



1. International Telecommunication Union's (ITU) Telecom World annual convention, the world's biggest telecom show, will be held in December 2006. ITU has been traditionally held in Geneva before.
2. Asian Aerospace, Asia Pacific's foremost aerospace exhibition, has selected AsiaWorld-Expo as its venue for September 2007. Asian Aerospace has been traditionally held in Singapore before.
3. China Sourcing Fairs, a full house exhibition held previously in Shanghai, moved to our centre in April, attracting:
 - Electronics and components: over 1,700 exhibitors and 26,000 buyers;
 - Fashion accessories: over 500 exhibitors and 11,000 buyers; and
 - Gifts and home products and international hardware: over 3,600 booths and 30,000 buyers.

The fairs showcase the latest products from quality suppliers from China, Hong Kong and the rest of Asia.

In addition to exhibition, a world-class entertainment hall (named AsiaWorld-Arena) is purpose-built for concert and entertainment events which can house up to 13,500 spectators. A number of acclaimed local and international artists, such as Chan Po Chu, Oasis, Jamie Cullum, Coldplay and The Black Eyed Peas, already performed in the Arena.

The Group's investment in AsiaWorld-Expo is in the form of preference shares, which entitle the Group to a preferred dividend on a cumulative basis, the payment of which depends on the cashflow of the project. The Group recorded in the accounts the preference share dividend accrued for the six months ended 30th June, 2006. The preference share dividend is a contractual obligation of Hong Kong IEC Limited, the holding company of AsiaWorld-Expo.

1. 全球最大的電訊展覽會－國際電信聯盟 (ITU) 的世界電信展年會將於二零零六年十二月舉行。ITU 傳統上過去一直於日內瓦舉行。
2. 亞太區最頂尖的航空展覽－亞洲航空展已選定亞洲國際博覽館作為其二零零七年九月的舉辦場地。亞洲航空展傳統上過去一直於新加坡舉行。
3. 先前於上海舉行的 China Sourcing Fairs 於四月移師亞洲國際博覽館舉行，吸引了：
 - 電子及零件：超過 1,700 個參展商及 26,000 位買家；
 - 時尚配飾：超過 500 個參展商及 11,000 位買家；及
 - 禮品與家居產品及國際五金器具：超過 3,600 個參展商及 30,000 位買家。

該展覽會展出來自中國、香港及亞洲其他地區的優質供應商所推出的最新產品。

除了舉辦展覽會，一個世界級娛樂場館（已命名為 AsiaWorld-Arena）專門用作舉行演唱會及文娛活動亦已建築完成，可容納多達 13,500 名觀眾。一批本地及國際知名藝人如陳寶珠、Oasis、Jamie Cullum、Coldplay 及 The Black Eyed Peas 均曾於 Arena 獻技。

本集團於亞洲國際博覽館之投資乃以優先股之方式進行，本集團有權以累計基準收取優先股息，而有關股息之支付須視有關項目之現金流量而定。本集團已於截至二零零六年六月三十日止六個月之賬目內記錄應收取之優先股股息。亞洲國際博覽館的控股公司 Hong Kong IEC Limited 對此優先股股息有合約上的責任。



Retail Properties

The Group focuses its property investment on retail space on prime locations only. In 2005 the Group added two properties to its portfolio, with completion in November 2005 and February 2006.

Properties	Status
Argyle Centre, Mongkok	The Group owns 153 shops in Argyle Centre (over 34,000 sqft), with a virtually full occupancy rate and a steady growth in rental income.
Ginza Plaza, Mongkok	The Group acquired over 14,000 sqft of retail space in Ginza Plaza in November 2005, with a full occupancy rate.
Timeplus, 108 Percival Street Causeway Bay	The Group completed acquisition of the property in February 2006. The property, previously occupied by a famous restaurant, is being converted into a shopping mall, scheduled for opening in mid-November 2006. Leasing is in progress.

High-Yield Bonds

Having returned to an environment with relatively high interest rate, with The Federal Rate of the United States having spiraled from 3.5% per annum in August 2005 to 5.25% per annum in August 2006, the high-yield bond market becomes less attractive to us than it was in the past. The Group has been winding down its position in high-yield bonds in the first half of 2006. We sold 15 bonds and are cautiously reviewing the remaining few in our portfolio.

Grand China

The Company has swapped its entire interest in CR Airways for new shares in Grand China. The largest shareholders of Grand China are based in the Hainan Province and a fund managed by George Soros. Grand China is the single largest shareholder of Hainan Airlines, the fourth largest aviation group in the PRC listed on the Shanghai Stock Exchange.

零售物業

本集團的物業投資項目專注於黃金地段的零售商舖。於二零零五年，本集團於其投資組合內新增兩項物業，並已於二零零五年十一月及二零零六年二月完成收購。

物業	情況
旺角旺角中心	本集團擁有旺角中心的153個舖位（面積逾34,000平方呎），出租率實際接近100%，租金收入穩定增長。
旺角銀城廣場	本集團於二零零五年十一月收購銀城廣場逾14,000平方呎零售舖位，並已被全數佔用。
銅鑼灣波斯富街 108號Timeplus	本集團於二零零六年二月完成收購該物業。該物業先前由一家著名飯店佔用，正在改造為一個購物中心，計劃於二零零六年十一月中旬開業，現正招租。

高息債券

美國聯邦儲備利率由二零零五年八月的每年3.5厘調高至二零零六年八月的每年5.25厘，回到相對較高利率環境後，高息債券市場吸引力較以前遜色。本集團已於二零零六年上半年起逐步減持高息債券，已賣出15份債券並慎重檢討投資組合中的少量剩餘債券。

新華航空

本公司已將其於中富航空之全部權益轉換到新華航空。新華航空最大的股東位於海南省及一家由喬治·索羅斯管理之基金。新華航空乃海南航空之單一最大股東，而海南航空為中國第四大航空集團，並於上海股票交易所上市。



The official registration procedures of the issuance of the shares of Grand China to the Group are still in progress as of the date of this report.

After the asset swap, Grand China has become a 45% shareholder of CR Airways. The introduction of Grand China as a strategic shareholder of CR Airways enables CR Airways to employ the resources and expertise of Hainan Airlines to expand its network and business and to build up cooperation with Hainan Airlines. It is now flying Sanya and Haikou under a code-share arrangement with Hainan Airlines.

With a view to lower average operating costs and to serve longer haul routes, CR Airways is decommissioning the Bombardier CRJ series aircrafts, and is now dry leasing two Boeing 737-800 aircrafts from Hainan Airlines.

To ride on the potential captured by the synergy with Hainan Airlines, the Group has subscribed a new HK\$5 million convertible debentures of CR Airways with an option to subscribe a further of HK\$45 million convertible debentures. The management is still assessing the performance of CR Airways and is yet to decide whether to exercise the option.

CR Airways continues to run at an operating loss. Its scheduled destinations include Sanya, Haikou, Guilin, Kunming and Changsha. It is also designated the right to fly scheduled flights to Wenzhou, Meixian and Tianjin.

It is also licensed to fly to 30 PRC cities and 8 Southeast Asian cities. Once the licensed routes are designated, the potential PRC market will increase to cover a population of more than 250 million within the catchment area.

Oriental Cashmere Limited

Since the chaos resulting from the lifting of the textile quota system in 2005, profit of OCL fell significantly. The first half of 2006 remains competitive for OCL, which in any event was the low season for cashmere business. A loss of HK\$6.8 million was reported, compared to the gain of HK\$2.7 million in the first half of 2005.

新華航空發行股份予本集團之正式登記手續於本報告日期仍在進行中。

資產轉換後，新華航空持有中富航空45%之股份。引入新華航空作為中富航空之策略股東，使中富航空得以使用海南航空之資源及專業技術以擴展其網絡及業務，並與海南航空建立合作關係。中富航空目前通過與海南航空的代碼共享安排經營飛往三亞及海口的航班。

為降低平均經營成本及供應長途機航班，中富航空正在讓龐巴迪CRJ系列支線飛機退役，並從海南航空乾租兩架波音737-800飛機。

趁着與海南航空產生協同作用從而捕捉發展有關業務潛能，本集團已認購中富航空5,000,000港元可換股債券，附有選擇權可據此額外認購45,000,000港元可換股債券。管理層仍在評估中富航空的表現，故此尚未決定是否行使有關選擇權。

中富航空持續錄得經營虧損。其經營飛往三亞、海口、桂林、昆明及長沙的定期航班。該公司亦獲得專門飛往溫州、梅縣及天津的定期航班權利。

該公司亦獲發出執照飛往30個中國城市及8個東南亞城市。當獲發執照的路線指定之後，該公司所服務的潛在中國市場將增加至覆蓋超過2.5億人口。

東方羊絨

自從二零零五年撤銷紡織品配額制度引起混亂以來，東方羊絨之溢利顯著下降。二零零六年上半年對東方羊絨依然具有挑戰，無論如何，此期間乃羊絨業務之淡季，錄得虧損6,800,000港元，而二零零五年上半年則盈利2,700,000港元。



PROSPECTS

With the increase in retail space in prime locations, the Group expects to increase both rental income and value of its properties.

AsiaWorld-Expo is particularly suited to large-scale events. We are confident that the forthcoming International Telecommunication Union's (ITU) Telecom World annual convention and Asian Aerospace will be successful.

SOURCE OF FUNDING AND INDEBTEDNESS

As at 30th June, 2006, the Group had an aggregate bank and other borrowings of HK\$783 million (at 31st December, 2005: HK\$486 million), representing an increase of HK\$297 million from the beginning of the year. Borrowings repayable within one year and after one year were HK\$41 million (at 31st December, 2005: HK\$11 million) and HK\$742 million (at 31st December, 2005: HK\$475 million) respectively.

As at 30th June, 2006, all bank and other borrowings of the Group were interest-bearing at floating rates and fixed rates.

PLEDGES OF ASSETS

As at 30th June 2006, bank deposits of HK\$9 million (at 31st December, 2005: HK\$17 million) of the Group were pledged to a financial institution to secure borrowing facilities provided. In addition, certain bank loans of the Group were secured by the Group's investment properties, which had a fair value of HK\$1,325 million as at 30 June 2006 (at 31st December, 2005: HK\$1,020 million).

FINANCE COSTS

Finance costs for the first half of 2006 were HK\$17 million (2005: 0.5 million), representing 33 times that of the corresponding period last year. The increase of finance costs was primarily due to the increase of bank borrowings to finance the acquisition of the Group's investment properties.

前景

隨著於黃金地段的零售舖位面積增加，本集團預期租金收入及其物業價值將會增加。

亞洲國際博覽館特別適合大型活動。我們相信即將舉行的國際電信聯盟(ITU)的世界電信展年會及亞洲航空展將會獲得成功。

資金來源及借款情況

於二零零六年六月三十日，本集團的銀行及其他借款總額為783,000,000港元(於二零零五年十二月三十一日：486,000,000港元)，比年初上升了297,000,000港元。一年內與一年外應償還債務分別為41,000,000港元(於二零零五年十二月三十一日：11,000,000港元)及742,000,000港元(於二零零五年十二月三十一日：475,000,000港元)。

於二零零六年六月三十日，集團所有銀行及其他借款都為浮息及定息借款。

資產抵押

於二零零六年六月三十日，本集團銀行存款中的9,000,000港元(於二零零五年十二月三十一日：17,000,000港元)抵押予一間財務機構提供的信貸額。此外，本集團部份銀行借款以本集團投資物業作為抵押，於二零零六年六月三十日該投資物業的帳面淨值為1,325,000,000港元(於二零零五年十二月三十一日：1,020,000,000港元)。

財務費用

截至二零零六年六月三十日止六個月，財務費用為17,000,000港元(二零零五年：500,000港元)，是去年同期的33倍。財務費用的增加主要是由於增加銀行借款為本集團投資物業的收購作出融資。



SHARE CAPITAL STRUCTURE

The number of ordinary shares in issue as at 30th June, 2006 and 31st December, 2005 was 1,691,171,989.

GEARING RATIO

As at 30th June, 2006, the gearing ratio of the Group, which represents the ratio of interest-bearing bank and other borrowings to total shareholders' equity, was 88% (at 31st December, 2005: 54%).

FOREIGN EXCHANGE EXPOSURE

As at 30th June, 2006, most of the Group's investments are based in Hong Kong dollar and United States dollar and are therefore not exposed to significant foreign currency risks. The Group's investments in Euro denominated debt securities are closely hedged against currency exposure.

GUARANTEE

The Company has given a guarantee to a bank to secure the outstanding indebtedness due by a subsidiary, for an amount attributable to the Group's equity interests. The amount of outstanding indebtedness due by a subsidiary to this bank as at 30th June, 2006 was approximately HK\$705 million (at 30th June, 2005: approximately HK\$145 million).

The Company has given a guarantee to a financial institution to secure borrowing facilities available to a wholly-owned subsidiary in the amount not exceeding US\$15 million. The outstanding indebtedness as at 30th June, 2006 was approximately Euro 0.8 million (at 30th June, 2005: approximately Euro 3 million).

STAFF COSTS

The Group's total staff costs for the period under review amounted to HK\$114,000 (First half of 2005 : HK\$114,000).

股本結構

於二零零六年六月三十日及二零零五年十二月三十一日，已發行普通股數目為1,691,171,989股。

資本與負債比率

於二零零六年六月三十日，集團的資本與負債比率(指帶息銀行及其他借款與全體股東資產淨值的比率)為88%(於二零零五年十二月三十一日：54%)。

外匯風險

於二零零六年六月三十日，本集團之大部份投資均以港元及美元定值，因而毋須面對重大外匯風險。本集團投資於以歐羅計值之債務證券已作出貼價的對沖，以減低貨幣風險。

擔保

本公司就一間附屬公司所欠之未償還債項向一間銀行提供相當於本集團股本權益應佔數額之擔保。該附屬公司於二零零六年六月三十日欠該銀行之未償還債項約為705,000,000港元(於二零零五年六月三十日：約為145,000,000港元)。

本公司就一間全資附屬公司所獲一間財務機構提供不超逾15,000,000美元之信貸額提供擔保。於二零零六年六月三十日之未償還債項約為800,000歐羅(於二零零五年六月三十日：約為3,000,000歐羅)。

員工成本

本集團於回顧期間之員工成本總額為114,000港元(二零零五年上半年：114,000港元)。