

(Stock Code: 617)

# 2006 INTERIM ANNOUNCEMENT

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited and restated)	% Change
	HK\$'M	HK\$'M	
Operating profit	72.9	13.8	+428.3%
Profit for the period attributable to equity holders of the parent	209.1	142.0	+47.3%
Basic earnings per ordinary share attributable to equity holders of the parent	HK2.90 cents	HK1.97 cents	+47.2%
Proforma net asset value per ordinary share	HK\$0.93	HK\$0.91*	+2.2%
Interim dividend *as at 31st December, 2005	HK0.15 cent	Nil	_

### **REVIEW OF OPERATIONS**

- For the six months ended 30th June, 2006, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$209.1 million, representing an increase of about 47.3% as compared with the HK\$142.0 million (as restated) recorded for the corresponding period in 2005.
- As at 30th June, 2006, the Group beneficially held approximately 45.6% of the issued ordinary shares of Regal Hotels International Holdings Limited, apart from certain holdings in its issued warrants and convertible preference shares. As explained before, Regal's hotel properties in Hong Kong have been stated at cost less accumulated depreciation and amortisation in its audited financial statements since 2005. Accordingly, the attributable share of the net assets of Regal reflected in the interests of the Group held in Regal has correspondingly been adjusted.
- In order to more fairly reflect the underlying net asset value of the Group, supplementary information on the Group's net assets position, compiled on a proforma basis that Regal were to state its five hotel properties in Hong Kong based on their aggregate independent professional valuations of HK\$14,500 million as at 31st December, 2005, is provided in the section headed "Management Discussion and Analysis" below.
- The Group owns a 30% interest in the joint venture development project at Ap Lei Chau Inland Lot No.129, comprising primarily residential accommodation having gross floor area of about 900,000 square feet together with ancillary retail, recreational and car parking facilities. The application to revise the flat mix of the proposed development, with a view to increasing the average size of the residential units to suit market demands, has been approved by the Town Planning Board. Site formation works for this project are in progress.
- The Group has decided to retain for rental income all the office floors with total

- Each of the Group and Regal beneficially owns a 50% equity interest in a company which, in turn, holds a 59% interest in an investee company established in the PRC. The investee company has entered into the Land Grant Contracts for the Phase I land sites comprised in a comprehensive development project located at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, PRC and the related land premium payable under the Land Grant Contracts was fully settled in April 2006. The overall development project entails total permissible gross floor area of about 4,630,000 square feet, planned to comprise office, residential, hotel, commercial and carparking accommodations. While the requisite development and design plans are being revised, the investee company is actively working to secure its rights to the remaining land site comprised in the overall development project.
- The Group's building construction arm, Chatwin Engineering Limited, is taking steps to expand its business undertakings and has successfully secured new contracts in both the public housing estate sector as well as in the private sector. In addition, to support its core property businesses, the Group continues to operate profitably a wide range of property related services encompassing development consultancy comprising architectural, engineering and interior design services, project management, building services and estate management.
- For the six months ended 30th June, 2006, Regal achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$310.8 million, as compared with the profit of HK\$302.3 million for the corresponding period in 2005.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

gross floor area of about 60,900 square feet, and certain ground floor shops with total gross floor area of about 2,200 square feet, in the commercial building at 211 Johnston Road, Wanchai. Consequently, this property has been reclassified from property held for sale to investment property in the Condensed Consolidated Financial Statements herein presented. A fair value gain on this property has been reflected in the financial results for the period under review by reference to its independent professional market valuation as at 30th June, 2006. Progressively increasing rental rates have been achieved on new leasings or tenancy renewals and, at present, nearly all of the units are leased.

• The Group has lately re-launched the marketing of part of its retained duplex units in the "Rainbow Lodge" residential development at 9 Ping Shan Lane, Yuen Long, New Territories and further units have since been sold.

## OUTLOOK

With the vast experience and expertise readily available within the Group in different facets of the property businesses, the Group is well positioned and prepared to undertake new development projects and property investments. Due to the scarcity of land supply in Hong Kong, the Group believes that the real estate market in mainland China will comparatively provide more attractive opportunities for its planned business expansion. Accordingly, in addition to the joint venture composite development project that is being undertaken in Beijing, the Group is actively reviewing other potential development projects in mainland China with a view to strengthening its overall property portfolio.

### P.2 (Paliburg)

## MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash outflow from operating activities during the period under review amounted to HK\$3.8 million (2005 – HK\$12.2 million). Net interest payment for the period amounted to HK\$1.8 million (2005 – HK\$25.8 million).
- Regal's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation on the hotel land and buildings. Consequently, adjustments have been made retrospectively to the interests of the Group held in Regal to reflect the fair value of Regal's hotel properties in 1993 when the Group initially acquired Regal as a subsidiary.
- In order to more fairly reflect the Group's net assets position, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis that Regal were to state its five hotel properties in Hong Kong at their open market valuations as at 31st December, 2005.

STATEMENT OF PROFORMA NET ASSETS		
	30th June, 2006 (Unaudited) HK\$'M	31st December, 2005 (Unaudited) HK\$'M
NON-CURRENT ASSETS		
Interests in associates	2,820.7	2,697.4
Add: Attributable revaluation surplus relating to hotel properties of Regal*	3,440.8	3,469.4
	6,261.5	6,166.8
Other non-current assets	470.4	184.2
TOTAL NON-CURRENT ASSETS	6,731.9	6,351.0
CURRENT ASSETS	489.9	641.8
CURRENT LIABILITIES	(292.8)	(304.2)
NET CURRENT ASSETS	197.1	337.6
TOTAL ASSETS LESS CURRENT LIABILITIES	6,929.0	6,688.6
NON-CURRENT LIABILITIES	(197.5)	(148.2)
PROFORMA NET ASSETS	6,731.5	6,540.4
MINORITY INTERESTS	(0.2)	(0.2)
PROFORMA NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	6,731.3	6,540.2
Proforma net asset value per ordinary share	<u>HK\$0.93</u>	<u>HK\$0.91</u>

\* Based on the aggregate open market valuations of Regal's hotel properties in Hong Kong of HK\$14,500 million as at 31st December, 2005 less fair value adjustment already taken into account by the Group in its interests in associates

As at 30th June, 2006, the Group's gross borrowings net of cash and bank balances amounted to HK\$67.7 million (31st December, 2005 - HK\$66.7 million). Gearing ratio based on total assets of HK\$3,781.0 million (31st December, 2005 - HK\$3,523.4 million) was 1.8% (31st December, 2005 - 1.9%). However, based on the proforma total assets of HK\$7,221.8 million as at 30th June, 2006 (31st December, 2005 - HK\$6,992.8 million), as adjusted for the

similar funding, treasury and remuneration policies as disclosed in the Company's 2005 Annual Report. Detailed information in such aspects is contained in the interim report of the Company for the six months ended 30th June, 2006.

- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Review of Operations" and "Outlook" above.
- The Group's significant investments principally constitute its shareholding interests in Regal, the listed associate of the Company. The significant investments of Regal comprise primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of Regal and its operations during the period under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance of Regal as well as the progress and prospects on the Regalia Bay development are contained in Regal's announcement separately released today.

## DIVIDEND

 In view of the satisfactory results achieved, the Directors have declared the payment of an interim dividend of HK0.15 cent per ordinary share for the financial year ending 31st December, 2006 (2005 - nil), absorbing a total amount of approximately HK\$10.8 million (2005 - nil), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 18th October, 2006.

## CLOSURE OF REGISTER

• The Register of Ordinary Shareholders will be closed from Monday, 16th October 2006 to Wednesday, 18th October, 2006, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant certificates must be lodged with the Company's branch registrar in Hong Kong, Tengis Limited, no later than 4:00 p.m. on Friday, 13th October, 2006. The relevant dividend warrants are expected to be despatched on or about 8th November, 2006.

## HALF YEAR RESULTS

### Condensed Consolidated Income Statement

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited and restated)
	HK\$'M	HK\$'M
REVENUE (Note 3) Cost of sales	86.1 (75.9)	30.1 (15.6)
Gross profit Other income and gains (Note 4) Fair value gain upon reclassification of a property held for sale to	10.2 5.8	14.5 12.7
an investment property Administrative expenses Other operating expenses, net (Note 5)	70.3 (12.8) (0.6)	(13.0) (0.4)
OPERATING PROFIT (Note 3) Finance costs Share of profits and losses of associates PROFIT BEFORE TAX Tax (Note 7)	72.9 (4.6) 141.3 209.6 (0.5)	13.8 (6.8) <u>135.6</u> 142.6 (0.6)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY		

142.0

142.0

142.0

cents cents

Nil

- revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 0.9% (31st December, 2005 1.0%).
- As the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.
- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 30th June, 2006 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2005 (the "2005 Annual Report"). During the period under review, the Company continued to adopt

HOLDERS OF THE PARENT AND MINORITY INTERESTS	209.1	
Attributable to: Equity holders of the parent Minority interests	209.1  	
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8) Basic	HK2.90 cents	НК1.97
Diluted	HK2.63 cents	HK1.71
DIVIDEND PER ORDINARY SHARE	HK0.15 cent	

#### P.3 (Paliburg)

#### **Condensed Consolidated Balance Sheet**

	30th June, 2006 (Unaudited) HK\$'M	31st December, 2005 (Restated) HK\$'M
NON-CURRENT ASSETS Property, plant and equipment Investment properties Property held for future development Interests in associates Available-for-sale equity investments Loans receivable Total non-current assets	3.8 270.3 26.7 2,820.7 151.1 <u>18.5</u> 3,291.1	4.4 0.3 26.7 2,697.4 130.8 <u>22.0</u> 2,881.6
CURRENT ASSETS Equity investments at fair value through profit or loss Properties held for sale Inventories Debtors, deposits and prepayments (Note 9) Time deposits Cash and bank balances	3.7 43.2 5.1 46.2 129.9 12.4 240.5	3.2 242.9 1.5 50.3 72.4 <u>22.1</u> 392.4
Asset of a disposal group classified as held for sale Total current assets CURRENT LIABILITIES Creditors and accruals (Note 10) Tax payable Interest bearing bank and other borrowings Deposits received Liability directly associated with the asset classified as held for sale Total current liabilities NET CURRENT ASSETS TOTAL ASSETS LESS CURRENT LIABILITIES	249.4 489.9 (89.1) (6.1) (12.5) (86.2) (193.9) (98.9) (292.8) 197.1 3,488.2	$ \begin{array}{r}                                     $
NON-CURRENT LIABILITIES Interest bearing bank borrowings Net assets EQUITY Equity attributable to equity holders of	<u>(197.5)</u> <u>3,290.7</u>	<u>(148.2)</u> <u>3,071.0</u>
the parent Issued capital Reserves Dividends Minority interests Total equity	$\begin{array}{r} 72.1\\ 3,207.6\\ -10.8\\ 3,290.5\\ 0.2\\ 3,290.7\end{array}$	72.1 2,984.3 <u>14.4</u> 3,070.8 <u>0.2</u> <u>3,071.0</u>

#### Notes:

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2005, except for the adoption of the following Hong Kong Financial Reporting Standards ("HKFRSs") mandatory for annual periods beginning on or after 1st January, 2006.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a

Except for HKAS 39 Amendment, the adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

Lease

The amendment to HKAS 39 regarding fair value options has changed the definition of financial Ine amendment to HKAS 39 regarding fair value options has changed the definition of financial instruments classified as fair value through profit or loss and restricted the ability to designate financial instruments as part of this category. Upon the adoption of this amendment, the Group has de-designated equity investments in the amount of HK\$8.6 million as at 1st January, 2006 as equity investments at fair value through profit or loss and classified them as available-for-sale equity investments as such equity investments failed to comply with the amended criteria for the designation.

The effects of the above changes are summarised in note 2 below. In accordance with the reaction a provisions of the amendment, comparative amounts have been restated using the new classification.

- SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES 2.

(a)	Effect on the condensed conso	indated balance sneet	
			Effect of adopting HKAS 39 Amendment#
			De-designation of equity
	Effect of new policy		investments at fair value
	(Increase/(Decrease))		through profit or loss

#### (b) Effect on the balances of equity

	Effect of new policy (Increase/(Decrease))	HKAS 39 A De-designat investments	Amendment ion of equity at fair value ofit or loss
		1st January, 2005 HK\$'M	1st January, 2006 HK\$'M
	Available-for-sale equity investments revaluation reserve Investments revaluation reserve Retained profits	(9.3) 9.3	(9.2) 9.3 (0.1)
(c)	Effect on the condensed consolidated income	Effect of	adopting
	Effect of new policy	De-designat investments	ion of equity at fair value ofit or loss Six months ended
	Decrease in other income and gains and total decrease in profit	(0.8)	(2.8)
	Decrease in basic earnings per ordinary share (cent)	(0.01)	(0.04)
	Decrease in diluted earnings per ordinary share (cent)	(0.01)	(0.04)

Effect of adopting

SEGMENT INFORMATION З.

> Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

> The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate (a) agency services;
- the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and (b) project management services, property management and also security systems and products and other software development and distribution;
- the hotel ownership and management segment engages in hotel operations and the provision of hotel management services; (c)
- (d) the securities investment segment engages in securities trading businesses; and
- (e) the others segment mainly comprises other investments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

(10.5) (11.8)

			pres	sents	revenu	ue and	profi	it/(loss	) infor	mation	for	the G	roup's
and invest	ment	building re business	lated ses	and mana	agement								
30th Jur	ne,	30th Ju	ne,	30th J	June,	30th Ju	ne,	30th J	une,	30th Jur	ne,	30th	June,
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
									(Unaudited) and				(Unaudited) and
(Unaudited) (U	naudited) (	Unaudited) (U	naudited) (	Unaudited)	(Unaudited)	(Unaudited) (l	Jnaudited)	(Unaudited)	restated) (	(Unaudited) (U	naudited)	(Unaudited)	restated)
HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
6.0	4.9	49.8	25.2	_	_	30.3	_	_	_	_	_	86.1	30.1
	_	1.0	2.1							(1.0)	(2.1	)	
6.0	4.9	50.8	27.3	_	_	30.3	_	_	_	(1.0)	(2.1	86.1	30.1
72.7	(0.5)	4.1	12.0	_	_	2.9	1.1	1.1	1.3	_	_	80.8	13.9
												3.9	10.4
	Dusines Property deve and invest Six months 30th Ju 2006 (Unaudited) (U HKS'M 6.0 6.0 6.0	business seg           Property development and investment           Six months ended           30th June,           2006           2005           (Unaudited) (Unaudited) ( HKS'M           6.0         4.9	Business segments.           Property development and investment 30th June, 2006         Construction business 30th June, 2006           (Unaudited) (	Dusiness segments.       Construction and building related soft June, 2006     Construction and building related building rela	Dusiness segments.         Construction and building related	Dusiness segments.         Construction and businesses         Six months ended 30th June, 2006       Six months ended 30th June, 2006       Six months ended 30th June, 2006       2005         2006       2005       2006       2005       2006       2005         (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited)       HK\$*M       HK\$*M       HK\$*M         6.0       4.9       49.8       25.2       -       -	business segments.           Construction and Property development and investment         Hotel ownership and management         Securities in Six months ended 30th June, 2006         Securities in Six months ended 2005         Six months ended 30th June, 2006         Securities in 30th June, 2006         Securities in 30th June, 2006         Securities in 30th June, 2006         Securities in 30th June, 2006           (Unaudited)	Dusiness segments.         Construction and Dusinesses         And investment Six months ended Sath June, 300th June, 300th June, 2006         Sour months ended Six months ended Sath June, 300th June, 2006         2006       2005         Construction and Dusinesses         Securities investment Six months ended Six months ended Six months ended (Six months ended Six months ended Six months ended (June, 2006         Sour June, 2006       2005         2006       2005         (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited)         HK\$*M         6.0       4.9       49.8       25.2       -       -       30.3       -	Dusiness segments.           Construction and Property development businesses         Hotel ownership and management Six months ended 30th June,         Securities investment Six months ended 30th June,         Othe Six months ended 30th June,         Socurities investment 30th June,         Othe 30th June,           2006         2005         2006         2005         2006         2005         2006           (Unaudited)         Unaudited) (Unaudited) (U	Dusiness segments.           Construction and Property development businesses         Hotel ownership and management Six months ended         Six months ended Six months ended         Others           Six months ended 30th June, 2006         2005         2006         2005<	Dusiness segments.           Construction and Property development businesses         Others         Elimination and management Six months ended         Six months ended Six months ended         Six months ended	Dusiness segments.         Construction and Property development businesses       Hotel ownership and management       Securities investment       Others       Eliminations         Six months ended       Six months	Construction and property development and investment         Construction and building related Six months ended         Hotel ownership and anagement 30th June,         Eliminations         Consol           Six months ended 30th June,         Six months ended 30th June, <td< td=""></td<>

	1st January, 2006	30th June, 2006	Operating profit													72.9	13.8
	HK\$'M	HK\$'M	Finance costs Share of profits and													(4.6)	(6.8
<u>Assets</u> Available-for-sale equity investments Equity investments at fair value through	8.6	9.4	losses of associates Profit before tax Tax	(0.6)	_	-	_	141.9	135.7	_	_	_	(0.1)	_	_	141.3 209.6	135.6
profit or loss	(8.6) 	(9.4) 	Profit for the period before allocation between equity holders of the													(0.5)	(0.6
Available-for-sale equity investments revaluation reserve Investments revaluation reserve Retained profits	(9.2) 9.3 (0.1)	(8.4) 9.3 (0.9)	parent and minority interests Attributable to: Equity holders of													209.1	142.0
netailieu profits	<u>(0.1)</u>		the parent Minority interests													209.1	142.0
# Adjustments/Presentation taken effect r	retrospectively															209.1	142.0

corporate expenses

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1.41	(anoury)

(b)	Geographical	segments
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Sa

The following table presents revenue information for the Group's geographical segments. **Group** 

•	Hong Ko	na	Mainland (	hina	Eliminatio	one	Consolid	hate
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)(U	naudited)(	Unaudited)(U	naudited)(	Unaudited)(Ur	naudited)(	Unaudited)(U	naudited)
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
ment revenue: ales to								

external customers 86.0 30.0 0.1 0.1 - - 86.1 30.1

4. Other income and gains represent the following items:

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited and restated)	
	HK\$'M	HK\$'M	
Interest income	3.5	1.8	
Dividend income	_	9.9	
Fair value gains on equity investments at fair value through profit or loss, net	0.3	1.0	
Gain on deemed disposal of the Group's interest in the listed associate	1.4	_	
Others	0.6		
	5.8	12.7	

5. Included in the other operating expenses, net, is a depreciation charge of HK\$0.6 million (2005 - HK\$0.1 million).

6. An analysis of profit/(loss) on sale of investments or properties of the Group is as follows:

	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M
Profit on disposal of listed investments	2.5	
Loss on sale of properties		(0.2)

7. The tax charge for the period arose as follows:

	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M
Current — Hong Kong		
Provision for tax in respect of profits for the period	0.4	0.6
Current — Overseas		
Underprovision in prior periods	0.1	
Tax charge for the period	0.5	0.6

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2005 - 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Taxes on the profits of subsidiary companies operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

The share of tax credit attributable to associates amounting to HK 1.5 million (2005 - HK 6.6 million) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

 The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent of HK\$209.1 million (2005 - HK\$142.0 million, as restated) and on the weighted average of 7,208.5 million (2005 - 7,208.5 million) ordinary shares of the Company in issue during the period.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2006 is based on the profit for the period attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the Regal group's earnings of HK\$18.3 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in sue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares in sue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares in sue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares in issue during the period. The company were exercised to subscribe for ordinary shares of the Company at the beginning of the period and is not included in the calculation of diluted earnings per ordinary share. In addition, the exercise price of the share options of Regal outstanding during the period is higher than the average market price of the ordinary shares of Regal and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2005 was based on the profit for that period (as restated) attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the Regal group's earnings of HK\$19.0 million and on the weighted average of 7,208.5 million ordinary shares of the Company in issue during the prior period assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of that period. The conversion of the outstanding convertible preference shares of Regal was anti-dilutive for that period and was not included in the calculation of diluted earnings per ordinary shares. In addition, the exercise prices of the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

Included in debtors, deposits and prepayments is an amount of HK\$4.0 million (31st December, 2005 - HK\$22.4 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2006 (Unaudited) HK\$'M	31st December, 2005 (Audited) HK\$'M
Outstanding balances with ages:		
Within 3 months	3.7	21.9
Between 4 to 6 months	_	0.5
Between 7 to 12 months	0.3	
	4.0	22.4

#### Credit terms

9.

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

 Included in creditors and accruals is an amount of HK\$1.7 million (31st December, 2005 – HK\$5.2 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2006 (Unaudited) HK\$'M	31st December, 2005 (Audited) HK\$'M	
Outstanding balances with ages: Within 3 months	1.7	5.1	
Over 3 months		0.1	
	1.7	5.2	

The trade creditors are non-interest bearing and are normally settled within 90 days.11. Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2006.

### **REVIEW OF RESULTS**

 The Group's condensed consolidated interim financial statements for the six months ended 30th June, 2006 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2006 to be despatched to shareholders. have been put in place such that the Non-Executive Directors and the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

### **BOARD OF DIRECTORS**

• The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30th June, 2006, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

## **CORPORATE GOVERNANCE**

- The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30th June, 2006, except that the roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity on account of the Group's corporate operating structure. Moreover, the Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements
- As at the date of this announcement, the Board comprises the following members:

### Executive Directors:

Mr. LO Yuk Sui (Chairman and Managing Director) Mr. Donald FAN Tung Mr. Jimmy LO Chun To Mr. Kenneth NG Kwai Kai **Non-Executive Director:** Mrs. Kitty LO LEE Kit Tai

#### *Independent Non-Executive Directors:* Mr. NG Siu Chan Hon Abraham SHEK Lai Him, JP Mr. WONG Chi Keung

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 18th September, 2006