

Notes to Condensed Consolidated Financial Statements

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 Lease

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.

The 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 transitional provisions of the amendment, comparative amounts have been restated using the new classification.



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2. Summary of the Impact of Changes in Accounting Policies

(a) Effect on the condensed consolidated balance sheet

Effect of new policy (Increase/(Decrease))	Effect of adopting HKAS 39 Amendment#	
	De-designation of equity investments at fair value through profit or loss	
	1st January, 2006 HK\$'million	30th June, 2006 HK\$'million
<u>Assets</u>		
Available-for-sale equity investments	8.6	9.4
Equity investments at fair value through profit or loss	(8.6)	(9.4)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
<u>Equity</u>		
Available-for-sale equity investments revaluation reserve	(5.1)	(4.7)
Investments revaluation reserve	5.2	5.2
Retained profits	(0.1)	(0.5)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Adjustments/Presentation taken effect retrospectively

(b) Effect on the balances of equity

Effect of new policy (Increase/(Decrease))	Effect of adopting HKAS 39 Amendment	
	De-designation of equity investments at fair value through profit or loss	
	1st January, 2005 HK\$'million	1st January, 2006 HK\$'million
Available-for-sale equity investments revaluation reserve	(5.2)	(5.1)
Investments revaluation reserve	5.2	5.2
Retained profits	–	(0.1)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>



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- (c) Effect on the condensed consolidated income statement

Effect of new policy	Effect of adopting HKAS 39 Amendment	
	Six months ended 30th June, 2006 HK\$'million	Six months ended 30th June, 2005 HK\$'million
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)
Decrease in diluted earnings per ordinary share (cent)	-	(0.01)

3. Segment Information

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:

- (a) 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 agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel ownership and management segment engages in hotel operations and the provision of hotel management services;
- (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

The following table presents revenue and profit/(loss) information for the Group's business segments.

GROUP

	Property development and investment		Construction and building related businesses		Hotel ownership and management		Securities investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2006	(Unaudited) HK\$'m	Six months ended 30th June, 2006	(Unaudited) HK\$'m	Six months ended 30th June, 2006	(Unaudited) HK\$'m	Six months ended 30th June, 2006	(Unaudited) HK\$'m	Six months ended 30th June, 2006	(Unaudited) HK\$'m	Six months ended 30th June, 2006	(Unaudited) HK\$'m	Six months ended 30th June, 2006	(Unaudited) HK\$'m
Segment revenue:	6.0	4.9	49.8	25.2	-	-	30.4	1.0	0.2	0.2	-	-	86.4	31.3
Sales to external customers	-	-	1.0	2.1	-	-	-	-	-	-	(1.0)	(2.1)	-	-
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6.0	4.9	50.8	27.3	-	-	30.4	1.0	0.2	0.2	(1.0)	(2.1)	86.4	31.3
Segment results	72.7	(0.5)	4.1	12.0	-	-	2.9	0.9	1.5	1.5	-	-	81.2	13.9
Interest income and unallocated non-operating and corporate gains	-	-	-	-	-	-	-	-	-	-	-	-	3.9	10.5
Unallocated non-operating and corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	(17.5)	(16.0)
Operating profit	-	-	-	-	-	-	-	-	-	-	-	-	67.6	8.4
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(9.1)	(7.9)
Share of profits and losses of associates	(0.6)	-	-	-	141.9	135.7	-	-	-	(0.1)	-	-	141.3	135.6
Profit before tax	-	-	-	-	-	-	-	-	-	-	-	-	199.8	136.1
Tax	-	-	-	-	-	-	-	-	-	-	-	-	(0.5)	(0.6)
Profit for the period before allocation between equity holders of the parent and minority interests	-	-	-	-	-	-	-	-	-	-	-	-	199.3	135.5
Attributable to:														
Equity holders of the parent	-	-	-	-	-	-	-	-	-	-	-	-	104.6	71.2
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	94.7	64.3
													199.3	135.5



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(b) Geographical segments

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

GROUP

	Hong Kong		Mainland China		Eliminations		Consolidated	
	Six months ended 30th June, 2006 (Unaudited) HK\$'m	2005 (Unaudited) HK\$'m	Six months ended 30th June, 2006 (Unaudited) HK\$'m	2005 (Unaudited) HK\$'m	Six months ended 30th June, 2006 (Unaudited) HK\$'m	2005 (Unaudited) HK\$'m	Six months ended 30th June, 2006 (Unaudited) HK\$'m	2005 (Unaudited) HK\$'m
Segment revenue:								
Sales to external customers	86.3	31.2	0.1	0.1	-	-	86.4	31.3

4. Other Income and Gains

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\$'million	HK\$'million
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	0.8
Gain on deemed disposal of the Group's interest in the listed associate	1.4	–
Others	0.8	0.1
	<u>6.0</u>	<u>12.6</u>

5. Other Operating Expenses, net

Included in the balance is a depreciation charge of HK\$1.0 million (2005 - HK\$0.2 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)	Six months ended 30th June, 2005 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of listed investments	2.5	–
Loss on sale of properties	–	(0.2)
	<u>2.5</u>	<u>(0.2)</u>



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7. Finance Costs

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of:		
Bank loans and overdrafts, wholly repayable within five years	6.2	6.9
Convertible bonds and other loans, wholly repayable within five years	2.9	1.0
	<u>9.1</u>	<u>7.9</u>

8. Tax

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited)
	HK\$'million	HK\$'million
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	<u>0.5</u>	<u>0.6</u>

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 the 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.

9. Earnings per Ordinary Share Attributable to Equity Holders of the Parent

(a) Basic earnings per ordinary share

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\$104.6 million (2005 - HK\$71.2 million, as restated) and on the weighted average of 16,438.5 million (2005 - 14,235.3 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per ordinary share

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 (i) the decrease in the Group's proportionate interest in the earnings of Paliburg Holdings Limited ("PHL"), the listed subsidiary company of the Company, and its subsidiary companies (the "PHL Group") of HK\$10.6 million assuming all outstanding convertible bonds (including optional convertible bonds) of Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and its subsidiary companies (the "RHIHL Group") were converted into, and the subscription rights attaching to all outstanding warrants of RHIHL were exercised to subscribe for, ordinary shares of RHIHL at the beginning of the period and all the outstanding share options of PHL were exercised to subscribe for ordinary shares of PHL at the beginning of the period; and (ii) the interest savings on the convertible bonds of HK\$2.4 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into ordinary shares of the Company at the beginning of the period. The weighted average number of ordinary shares used in the calculation is the aggregate of 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 of 5,905.5 million that would be issued assuming (i) all the 3,527.0 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of the period; and (ii) all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into ordinary shares of the Company at the beginning of the period. The conversion of the outstanding convertible preference shares of RHIHL is anti-dilutive for the period and is not included in the calculation of diluted earnings per ordinary share. In addition, the exercise prices of the warrants of the Company and the share options of the Company and RHIHL outstanding during the period are higher than the average market prices of the respective ordinary shares of the Company and RHIHL 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 PHL Group's earnings of HK\$10.4 million assuming all outstanding convertible bonds (including optional convertible bonds) of the RHIHL Group were converted into, and the subscription rights attaching to all outstanding warrants of RHIHL were exercised to subscribe for, ordinary shares of RHIHL at the beginning of that period. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue during that period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 9,538.1 million that would be issued assuming (i) all the 2,610.0 million exchangeable preference shares of Almighty International Limited were exchanged into the same number of ordinary shares of the Company at the beginning of that period; and (ii) all the 7,356.6 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of that period. The conversion of the outstanding convertible preference shares of RHIHL was anti-dilutive for that period and was not included in the calculation of diluted earnings per ordinary share. In addition, the exercise prices of the share options of the Company, PHL and RHIHL outstanding during that period were higher than the average market prices of the respective ordinary shares of the Company, PHL and RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.



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10. Dividend

The Directors have declared the payment of an interim dividend of HK0.03 cent per ordinary share for the financial year ending 31st December, 2006 (2005 - Nil), absorbing a total amount of approximately HK\$4.9 million.

According to the terms of the convertible preference shares of the Company, the holders of the convertible preference shares are not entitled to any right of participation in the profits of the Company.

11. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$5.5 million (31st December, 2005 - HK\$23.9 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)	31st December, 2005 (Audited)
	HK\$'million	HK\$'million
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	–
Over 1 year	8.6	8.6
	<hr/>	<hr/>
	12.6	31.0
Provisions	(7.1)	(7.1)
	<hr/>	<hr/>
	5.5	23.9
	<hr/> <hr/>	<hr/> <hr/>

Credit Terms

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 the balances are amounts due from the Group's listed associate, a jointly controlled entity of the listed associate and a related company of HK\$1.5 million (31st December, 2005 - HK\$13.8 million), HK\$1.9 million (31st December, 2005 - HK\$2.7 million) and HK\$8.0 million (31st December, 2005 - HK\$8.4 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

12. Creditors and Accruals

Included in the balance 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)	31st December, 2005 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	1.7	5.1
Over 3 months	—	0.1
	<u>1.7</u>	<u>5.2</u>

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balance is an amount due to the Group's listed associate of HK\$8.1 million (31st December, 2005 - HK\$8.1 million), which is unsecured, non-interest bearing and has no fixed terms of repayment.

13. Related Party Transactions

(a) Transactions with related parties

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited)
	HK\$'million	HK\$'million
The listed associate:		
Management fee income	5.5	5.7
Gross construction fee income	3.1	4.1
Gross income in respect of security systems and products and other software	0.2	2.5
A jointly controlled entity of the listed associate:		
Gross construction fee income	0.4	10.8
A related company:		
Advertising and promotion fees (including cost reimbursements)	0.3	0.1

The nature and terms of these related party transactions were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2005.



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(b) Outstanding balances with related parties

	30th June, 2006 (Unaudited)	31st December, 2005 (Audited)
	HK\$'million	HK\$'million
Due from associates	150.0	20.0
Due from a jointly controlled entity of the listed associate	1.9	2.7
Due from a related company	8.0	8.4
Due to the listed associate	(9.8)	(10.2)
Due to a related company	(12.0)	–
Loans to associates	156.4	156.4
Promissory note receivable	–	145.0
	<u> </u>	<u> </u>

(c) Compensation of key management personnel of the Group

	Six months ended 30th June, 2006 (Unaudited)	Six months ended 30th June, 2005 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	2.7	2.9
Share-based payments	2.5	0.2
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	5.2	3.1
	<u> </u>	<u> </u>

14. Pledge of Assets

At 30th June, 2006, certain of the Group's investment property, properties held for sale and available-for-sale equity investments with a total carrying value of HK\$321.6 million (31st December, 2005 - HK\$270.8 million) and certain ordinary shares in the listed subsidiary company and the listed associate were pledged to secure general banking facilities granted to the Group.

15. Contingent Liabilities

The Group has a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of HK\$0.4 million as at 30th June, 2006 (31st December, 2005 - HK\$0.5 million). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group, and are eligible for long service payments under the Employment Ordinance if their employments are terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

16. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2006 (Unaudited)	31st December, 2005 (Audited)
	HK\$'million	HK\$'million
Within one year	6.9	5.6
In the second to fifth years, inclusive	3.5	2.2
	<u>10.4</u>	<u>7.8</u>

(b) As lessee

The Group leases certain office properties and area under operating lease arrangements. Leases for properties and the area are negotiated for terms ranging from 1 year to 3 years.

At 30th June, 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2006 (Unaudited)	31st December, 2005 (Audited)
	HK\$'million	HK\$'million
Within one year	5.2	4.8
In the second to fifth years, inclusive	7.7	10.3
	<u>12.9</u>	<u>15.1</u>



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17. Share Options

The Century City International Holdings Limited Share Option Scheme

The Company operates a share option scheme named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme"). The Century Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Century Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the period, movements in share options granted by the Company pursuant to the Century Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Exercise price of share options* HK\$
		At 1st January, 2006	Movement during the period	At 30th June, 2006		
	Director					
12th May, 2005	Mr. Lo Yuk Sui Unvested:	350,000,000***	-	350,000,000	Note	0.12

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

** Offer date is the date on which the grant of share options is offered by the Company and deemed the date of grant of the share options unless the grant of the share options is otherwise declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.

Note:

Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The fair value of the share options granted under the Century Share Option Scheme in 2005 was HK\$7.4 million, which is amortised to the income statement over the vesting periods of the share options granted.

The Paliburg Holdings Limited Share Option Scheme

PHL operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"). The Paliburg Share Option Scheme was adopted by PHL's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Paliburg Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the period, movements in share options granted by PHL pursuant to the Paliburg Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*			Vesting/Exercise periods of share options	Exercise price of share options* HK\$
		At 1st January, 2006	Movement during the period	At 30th June, 2006		
Directors						
12th May, 2005	Mr. Lo Yuk Sui Unvested:	180,000,000***	–	180,000,000	Note	0.22
25th July, 2005	Mr. Jimmy Lo Chun To Unvested:	20,000,000	–	20,000,000	Note	0.22
25th July, 2005	Mr. Kenneth Ng Kwai Kai Unvested:	20,000,000	–	20,000,000	Note	0.22
Other Employees						
25th July, 2005	Employees, in aggregate Unvested:	60,000,000	–	60,000,000	Note	0.22
	Total:	<u>280,000,000</u>	<u>–</u>	<u>280,000,000</u>		

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the share capital of PHL.

** Offer date is the date on which the grant of share options is offered by PHL and deemed the date of grant of the share options unless the grant of the share options is otherwise declined or lapsed.

*** In excess of the individual maximum limit of 1% of the ordinary shares in issue as of the offer date.



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Note:

Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The fair values of the share options for 180 million and 100 million ordinary shares granted under the Paliburg Share Option Scheme in 2005 were HK\$5.2 million and HK\$4.5 million, respectively, which are amortised to the income statement over the vesting periods of the share options granted.



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