

ANNOUNCEMENT OF 2006 GROUP RESULTS

FINANCIAL HIGHLIGHTS

	Year 2006 HK\$'M	Year 2005 HK\$'M (Restated)	% Change
Revenue	187.3	106.8	+75.4%
Operating profit	163.6	154.0	+6.2%
Profit for the year attributable to equity holders of the parent	300.1	517.4	-42.0%
Proposed final dividend	HK0.3 cent	HK0.2 cent	+50.0%
Total dividends for the year	HK0.45 cent	HK0.2 cent	+125.0%

- The overall net profit achieved was relatively lower than that in the preceding year due primarily to the fact that the share of profits contributed by the Group's associates during the year under review, including that from Regal Hotels International Holdings Limited, were lower than those recorded in 2005. However, at the operational level, the core hotel businesses of Regal have continued to perform satisfactorily.
- Regal has derived a gain of not less than HK\$2,000 million from the spin-off and separate listing of Regal Real Estate Investment Trust successfully completed in March 2007, as attributable to its initial disposal of 28% interest in Regal REIT. The share of profit thus attributable to the Paliburg Group will correspondingly be reflected in the current financial year of 2007.
- The Group's investments in the joint venture projects in Ap Lei Chau, HKSAR and in the Central Business District of Beijing, PRC are expected to generate substantial future profits.

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2006 HK\$'M	Year ended 31st December, 2005 HK\$'M (Restated)
REVENUE (Notes 2 & 3)	187.3	106.8
Cost of sales	(164.5)	(80.0)
Gross profit	22.8	26.8
Other income and gains (Note 3)	99.7	91.7
Fair value gain upon reclassification of a property held for sale to an investment property	70.3	—
Administrative expenses	(27.9)	(27.0)
Other operating expenses, net (Note 4)	(1.3)	(0.5)
Write-back of provision for impairment, net (Note 6)	—	63.0
OPERATING PROFIT (Note 2)	163.6	154.0
Finance costs (Note 7)	(10.3)	(11.3)
Share of profits and losses of associates	155.4	376.8
PROFIT BEFORE TAX	308.7	519.5
Tax (Note 8)	(8.6)	(2.1)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	300.1	517.4
Attributable to:		
Equity holders of the parent	300.1	517.4
Minority interests	—	—
	300.1	517.4
DIVIDENDS		
Interim	10.8	—
Proposed final	21.6	14.4
	32.4	14.4
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 9)		
Basic	HK4.16 cents	HK7.18 cents
Diluted	HK3.89 cents	HK6.72 cents

Consolidated Balance Sheet

	31st December, 2006 HK\$'M	31st December, 2005 HK\$'M (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	4.0	4.4
Investment properties	350.3	0.3
Property held for future development	26.7	26.7
Interests in associates	2,980.6	2,697.4
Available-for-sale equity investments	34.7	130.8
Loans receivable	14.3	22.0
Total non-current assets	3,410.6	2,881.6
CURRENT ASSETS		
Equity investments at fair value through profit or loss	19.1	3.2
Properties held for sale	38.7	242.9
Inventories	6.9	1.5
Debtors, deposits and prepayments (Note 10)	87.0	50.3
Time deposits	129.3	72.4
Cash and bank balances	17.0	22.1
	298.0	392.4
Asset of a disposal group classified as held for sale	249.4	249.4
Total current assets	547.4	641.8
CURRENT LIABILITIES		
Creditors and accruals (Note 11)	(98.0)	(101.0)
Tax payable	(2.8)	(5.7)
Interest bearing bank and other borrowings	(10.3)	(13.0)
Deposits received	(220.3)	(85.6)
	(331.4)	(205.3)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)
Total current liabilities	(430.3)	(304.2)
NET CURRENT ASSETS	117.1	337.6
TOTAL ASSETS LESS CURRENT LIABILITIES	3,527.7	3,219.2
NON-CURRENT LIABILITIES		
Interest bearing bank borrowings	(248.1)	(148.2)
Deferred tax liabilities	(8.7)	—
Total non-current liabilities	(256.8)	(148.2)
Net assets	3,270.9	3,071.0
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	72.1	72.1
Reserves	3,177.0	2,984.3
Proposed final dividend	21.6	14.4
	3,270.7	3,070.8
Minority interests	0.2	0.2
Total equity	3,270.9	3,071.0

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest million except where otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases which will give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31st December, 2006 or 31st December, 2005.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. Upon the adoption of this amendment at 1st January, 2006, the Group has de-designated equity investments at fair value through profit or loss with a carrying amount of HK\$8.6 million at 31st December, 2005 and has reclassified them as available-for-sale equity investments with a fair value of HK\$8.6 million at 1st January, 2006. In accordance with the transitional provisions of the amendment, comparative amounts have been restated based on the new classification.

	2006 HK\$'M	2005 HK\$'M
<i>Consolidated income statement for the year ended 31st December</i>		
Decrease in other income and gains	<u>(2.2)</u>	<u>(0.1)</u>
Decrease in basic earnings per share (cent)	<u>(0.03)</u>	<u>—</u>
Decrease in diluted earnings per share (cent)	<u>(0.03)</u>	<u>—</u>
<i>Consolidated balance sheet and equity at 1st January</i>		
Increase in available-for-sale equity investments	8.6	8.5
Decrease in equity investments at fair value through profit or loss	<u>(8.6)</u>	<u>(8.5)</u>
Decrease in available-for-sale equity investments revaluation reserve	<u>(9.2)</u>	<u>(9.3)</u>
Increase in investments revaluation reserve	9.3	9.3
Decrease in retained profits	<u>(0.1)</u>	<u>—</u>
<i>Consolidated balance sheet and equity at 31st December</i>		
Increase in available-for-sale equity investments	10.8	8.6
Decrease in equity investments at fair value through profit or loss	<u>(10.8)</u>	<u>(8.6)</u>
Decrease in available-for-sale equity investments revaluation reserve	<u>(7.0)</u>	<u>(9.2)</u>
Increase in investments revaluation reserve	9.3	9.3
Decrease in retained profits	<u>(2.3)</u>	<u>(0.1)</u>

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1st January, 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2. 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:

- 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;
- 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;
- the hotel ownership and management segment engages in hotel operations and the provision of hotel management services;
- the securities investment segment engages in securities trading businesses; and
- the others segment mainly comprises the provision of financing services.

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

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, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2006 and 2005.

Group

	Property development and investment		Construction and building related businesses		Hotel ownership and management		Securities investment		Others		Eliminations		Consolidated	
	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M
Segment revenue:														
Sales to external customers	23.8	10.5	133.2	66.5	—	—	30.3	29.8	—	—	—	—	187.3	106.8
Intersegment sales	—	—	5.8	4.6	—	—	—	—	—	—	(5.8)	(4.6)	—	—
Total	<u>23.8</u>	<u>10.5</u>	<u>139.0</u>	<u>71.1</u>	<u>—</u>	<u>—</u>	<u>30.3</u>	<u>29.8</u>	<u>—</u>	<u>—</u>	<u>(5.8)</u>	<u>(4.6)</u>	<u>187.3</u>	<u>106.8</u>
Segment results	158.9	191.1	8.8	(36.8)	—	—	6.9	2.8	2.1	3.0	(0.1)	0.5	176.6	160.6
Interest income and unallocated non-operating and corporate gains													12.5	17.2
Unallocated non-operating and corporate expenses													(25.5)	(23.8)
Operating profit													163.6	154.0
Finance costs													(10.3)	(11.3)
Share of profits and losses of associates	4.3	137.2	—	—	151.2	239.7	—	—	(0.1)	(0.1)	—	—	155.4	376.8
Profit before tax													308.7	519.5
Tax													(8.6)	(2.1)
Profit for the year before allocation between equity holders of the parent and minority interests													300.1	517.4
Attributable to:													300.1	517.4
Equity holders of the parent													—	—
Minority interests													300.1	517.4

Group

	Property development and investment		Construction and building related businesses		Hotel ownership and management		Securities investment		Others		Eliminations		Consolidated	
	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M
Segment assets	419.2	273.4	39.8	31.6	—	—	19.2	3.2	15.7	23.7	—	—	493.9	331.9
Interests in associates	620.5	385.1	0.3	0.3	2,381.3	2,333.7	—	—	—	0.1	(21.5)	(21.8)	2,980.6	2,697.4
Asset of a disposal group classified as held for sale	249.4	249.4	—	—	—	—	—	—	—	—	—	—	249.4	249.4
Cash and unallocated assets	—	—	—	—	—	—	—	—	—	—	—	—	234.1	244.7
Total assets													3,958.0	3,523.4
Segment liabilities	(4.8)	(7.8)	(88.7)	(75.8)	—	—	—	—	(0.1)	(0.1)	—	—	(93.6)	(83.7)
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)	—	—	—	—	—	—	—	—	—	—	(98.9)	(98.9)
Bank and other borrowings and unallocated liabilities	—	—	—	—	—	—	—	—	—	—	—	—	(494.6)	(269.6)
Total liabilities													(687.1)	(452.4)
Other segment information:														
Depreciation	—	0.1	0.5	0.3	—	—	—	—	—	—	—	—	—	—
Impairment loss/(Write-back of impairment losses) recognised in the income statement	—	(121.0)	—	58.0	—	—	—	—	—	—	—	—	—	—
Capital expenditure	—	—	1.0	1.1	—	—	—	—	—	—	—	—	—	—
Other non-cash income	—	—	—	—	—	—	—	—	—	—	—	—	(0.8)	—

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st December, 2006 and 2005.

Group

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M	2006 HK\$'M	2005 HK\$'M
Segment revenue:								
Sales to external customers	187.2	106.4	0.1	0.4	—	—	187.3	106.8
Other segment information:								
Segment assets	493.7	329.2	0.2	2.7	—	—	493.9	331.9
Capital expenditure	1.0	1.1	—	—	—	—	—	—

3. Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	2006 HK\$'M	2005 HK\$'M (Restated)
Revenue		
Rental income:		
Investment properties	6.3	0.1
Properties held for sale	5.6	9.4
Construction and construction-related income	128.5	50.2
Proceeds from sale of properties	10.7	0.1
Estate management fees	3.4	3.8
Property development consultancy and project management fees	1.3	12.5
Proceeds from sale of equity investments at fair value through profit or loss	30.3	29.8
Other operations including estate agency service	1.2	0.9
	<u>187.3</u>	<u>106.8</u>
Other income and gains		
Interest income from:		
Bank balances	2.8	2.1
Loans receivable	5.6	4.3
Dividend income from:		
Listed investments	1.4	9.9
Unlisted investments	—	1.4
Fair value gains on investment properties	80.0	—
Fair value gains on equity investments at fair value through profit or loss, net	4.3	2.2
Gain on disposal of interests in subsidiaries	—	68.2
Gain on deemed disposal of interests and exercise of warrants in the listed associate	4.8	—
Excess over the cost of a business combination	—	1.0
Others	0.8	2.6
	<u>99.7</u>	<u>91.7</u>

4. Included in the other operating expenses, net, is a depreciation charge of HK\$1.3 million (2005 — HK\$0.6 million).

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

	2006 HK\$'M	2005 HK\$'M
Profit on disposal of listed investments	2.5	0.5
Profit/(Loss) on sale of properties	3.0	(0.1)

6. Write-back of provision for impairment, net, represents the following items:

	2006 HK\$'M	2005 HK\$'M
Write-back of provision for impairment of interest in property under development indirectly held by an associate	—	121.0
Impairment of goodwill	—	(58.0)
	<u>—</u>	<u>63.0</u>

7. Finance costs of the Group are as follows:

	2006 HK\$'M	2005 HK\$'M
Interest in respect of:		
Bank loans and overdrafts, wholly repayable within five years	9.3	9.7
Other loans wholly repayable within five years	1.0	1.6
Total finance costs	<u>10.3</u>	<u>11.3</u>

8. The tax charge for the year arose as follows:

	2006 HK\$'M	2005 HK\$'M
Group:		
Current — Hong Kong	0.9	2.1
Provision for tax in respect of profits for the year	(0.7)	—
Overprovision in prior years	—	—
Current — Overseas	(0.3)	—
Overprovision in prior years	—	—
Deferred tax expenses	8.7	—
Total tax charge for the year	<u>8.6</u>	<u>2.1</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 year.

Taxes on the profits of subsidiaries 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 charge attributable to associates amounting to HK\$10.9 million (2005 — tax credit of HK\$46.7 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Deferred tax expenses have been calculated by applying the rate that is expected to apply in the year when the asset is realised or the liability is settled.

9. The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$300.1 million (2005 — HK\$517.4 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 year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2006 is based on the profit for the year attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the earnings of Regal, the listed associate of the Company, and its subsidiaries of HK\$17.3 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 of Regal at the beginning of the year. 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 year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 66.8 million that would be issued at no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year. The conversion of the outstanding convertible preference shares of Regal is anti-dilutive for the year 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 year 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 year ended 31st December, 2005 was based on the profit for that year (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\$32.9 million and on the weighted average of 7,208.5 million ordinary shares of the Company in issue during that year 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 year. The conversion of the outstanding convertible preference shares of Regal was anti-dilutive for that year 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 and Regal outstanding during that year were higher than 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.

10. Included in debtors, deposits and prepayments is an amount of HK\$18.4 million (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:

	2006 HK\$'M	2005 HK\$'M
Outstanding balances with ages:		
Within 3 months	18.3	21.9
Between 4 to 6 months	0.1	0.5
	<u>18.4</u>	<u>22.4</u>

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.

11. Included in creditors and accruals is an amount of HK\$7.5 million (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:

	2006 HK\$'M	2005 HK\$'M
Outstanding balances with ages:		
Within 3 months	7.4	5.1
Between 4 to 6 months	0.1	0.1
	<u>7.5</u>	<u>5.2</u>

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

12. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2006.

DIVIDEND

- The Directors have resolved to recommend the payment of a final dividend of HK0.3 cent per ordinary share for the year ended 31st December, 2006 (2005 — HK0.2 cent), absorbing an amount of approximately HK\$21.6 million (2005 — HK\$14.4 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th June, 2007. Together with the interim dividend of HK0.15 cent per ordinary share paid in November 2006 (2005 — Nil), total dividends per ordinary share for the year ended 31st December, 2006 will amount to HK0.45 cent (2005 — HK0.2 cent), representing an increase of 125% over the total dividends paid for the 2005 financial year.

CLOSURE OF REGISTER

- The Register of Ordinary Shareholders will be closed from Friday, 8th June, 2007 to Tuesday, 12th June, 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly 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 Thursday, 7th June, 2007. The relevant dividend warrants are expected to be despatched on or about 29th June, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash inflow from operating activities during the year under review amounted to HK\$19.4 million (2005 — outflow of HK\$11.6 million). Net interest payment for the year amounted to HK\$4.9 million (2005 — HK\$30.8 million).

- As at 31st December, 2006, the Group's gross borrowings net of cash and bank balances amounted to HK\$112.1 million (2005 — HK\$66.7 million). Gearing ratio based on total assets of HK\$3,958.0 million (2005 — HK\$3,523.4 million) was 2.8% (2005 — 1.9%).
- During the year under review, as the Group's borrowings were 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, no hedging instruments for currency or interest rates purposes have been deployed.
- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 31st December, 2006 is disclosed in the annual report of the Company for the year ended 31st December, 2006 (the "2006 Annual Report"), which will be despatched to shareholders on or before 30th April, 2007. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the interim report of the Company for the six months ended 30th June, 2006. Detailed information in such aspects is contained in the Company's 2006 Annual Report.
- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Operating Highlights" and "Outlook" below.
- The Group's significant investments during the year principally constituted its shareholding interests in Regal, the listed associate of the Company. The significant investments of Regal during the year comprised 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 year under review, their future prospects, the commentary

P.4 (Paliburg)

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.

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2006, the Group achieved a consolidated profit attributable to shareholders of HK\$300.1 million, as compared with the profit of HK\$517.4 million (as restated) attained for the financial year in 2005.
- The overall net profit achieved was relatively lower than that in the preceding year due primarily to the fact that the share of profits contributed by the Group's associates during the year under review, including that from Regal, were lower than those recorded in 2005. However, at the operational level, the core hotel businesses of Regal have continued to perform satisfactorily.
- Regal, in which the Group presently holds a 45.3% shareholding interest, has successfully completed the spin-off and separate listing of Regal Real Estate Investment Trust on The Stock Exchange of Hong Kong Limited in March 2007. Under the spin-off transaction, Regal has disposed of its interests in the five Regal Hotels in Hong Kong to Regal REIT at a gross sale consideration of HK\$12,500 million. Regal has derived from the transaction a gain of not less than HK\$2,000 million, as attributable to its initial disposal of 28% interest in Regal REIT and before taking into account further gains that may arise from any exercise of the over-allotment option. The share of profit thus attributable to the Paliburg Group will correspondingly be reflected in the results of the Group in the current financial year of 2007.

PROPERTIES

Hong Kong

- The development project at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, in which the Group has a 30% interest, entails primarily residential accommodation comprising luxury apartments together with ancillary retail areas, which has total gross floor area of about 913,000 square feet and complemented with recreational and car parking facilities. The site formation works are progressing and foundation works have also been commenced.
- As reported in the Interim Report 2006, the Group has decided to retain for rental income purpose the unsold portions in the commercial building at 211 Johnston Road, Wanchai, comprising all the office floors with total 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. Consequently, this property has been reclassified from property held for sale to investment property. Based on an independent professional market valuation as at 31st December, 2006, a fair value gain on this property in the amount of HK\$80 million (in addition to a fair value gain of approximately HK\$70 million upon accounting reclassification of the property to investment property during the year) has been reflected in the financial results for the year under review. Due to the increased demand for office accommodation, the rental rates achieved have also increased progressively and, at present, virtually all of the units are leased.
- The residential project of Rainbow Lodge at 9 Ping Shan Lane, Yuen Long, New Territories was developed by the Group and completed in 2004. The development has a total of 16 duplex units with aggregate gross area of approximately 30,800 square feet with ancillary car parking facilities. Up to the balance sheet date, 6 duplex units have been sold and the Group retained within the development 10 duplex units with aggregate gross area of approximately 19,720 square feet and 14 car parks.
- In January 2007, the Group entered into a sale and purchase agreement with Cosmopolitan International Holdings Limited, a listed company in Hong Kong, for the sale of the entire equity interests held by the Group in its wholly-owned subsidiary that beneficially owns the 10 retained units and unsold car parks in this completed development.
- Under the terms of the sale and purchase agreement, the consideration was agreed at HK\$70 million, HK\$14 million of which was paid in cash and the balance of HK\$56 million was to be satisfied by the issue to the Group of convertible bonds in a principal amount of HK\$56 million, which will be convertible into 800 million new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.07 per share (subject to adjustments) and, if not converted, will be redeemable on the 2nd anniversary of the date of issue at a yield to maturity of 3.5% per annum. The Group would also grant to Cosmopolitan certain placement rights, exercisable within 12 months of the date of issue of the convertible bonds, for Cosmopolitan to procure potential investors to purchase part or all of the convertible bonds to be held by the Group. In the case where the Group disposes of the convertible bonds pursuant to such placement rights, the Group would account to Cosmopolitan 70% of the profits arising from the sale of such convertible bonds.
- The sale and purchase agreement has subsequently been duly completed in March 2007 and the profit of approximately HK\$37 million derived from this transaction will be reflected in the results of the Group in the current financial year.

The People's Republic of China

- As reported in the Interim Report 2006, the Group and Regal each 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 remaining 41% interest of which is held by a local joint venture partner. The investee company has fully settled the land premium payable under the Land Grant Contracts for the Phase I land in April 2006 and is seeking to obtain the relevant Land Use Right Certificate. In the meanwhile, the investee company is actively working to secure its rights to the remaining Phase II land site comprised in the overall development project in the Central Business District of Beijing. The overall development project, comprising both Phase I and Phase II, is expected to have total permissible gross floor area of about 4,630,000 square feet encompassing office, hotel, commercial, residential and car parking accommodations. Due to the longer time anticipated to be needed to obtain relevant planning approvals and to secure the development rights to the Phase II land site, it is expected that there will be a delay in the overall development timetable for this project.

Other Investments

- As reported before, the Group has substantially resolved most of the outstanding issues with the purchaser who has defaulted on the agreement previously entered into by the Group in 2003 with respect to the sale of the Group's entire joint venture interest in the development project at Gong Ren Ti Yu Chang Street East, Chao Yang District, Beijing. The sale transaction will be formally completed once the remaining outstanding issues have also been resolved.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

Construction Business

- The construction business of Chatwin Engineering Limited continued to progress steadily. Apart from new jobs secured from the private sector, including part of the works associated with the asset enhancement programme at the Regal Hotels in Hong Kong, Chatwin has also been awarded the construction contract for the Redevelopment of Sau Mau Ping Estate Phases 13 & 16 from the Housing Authority in August 2006.

Building Related Business

- A comprehensive range of building related businesses, including development consultancy comprising architectural, engineering and interior design services, project management, building services and estate management, are being operated by the Group. These business operations, together with the technology-based businesses undertaken by the Leading Technology group, have all performed satisfactorily during the year under review. While these operating divisions have been offering professional services and support to most of the in-group projects as well as to third parties, they will also be important for any new projects planned to be undertaken by the Group in the expansion of its property portfolio.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- For the year ended 31st December, 2006, Regal achieved a consolidated profit attributable to shareholders of HK\$331.3 million, as compared with the profit of HK\$528.4 million attained for the financial year in 2005. The overall net profit achieved was relatively lower than that in the preceding year due primarily to the fact that during the year under review, while general interest costs have increased and much less profit contribution has been attributed from associates, there was also a deferred tax charge as compared to the recognition of substantial deferred tax income last year.
- Further information on the principal business operations and outlook of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

OUTLOOK

- The real estate values of all types of prime development properties in Beijing, from commercial, office, residential to hotel, have risen significantly over the last few years. Based on the prevailing market values, the land site beneficially owned by the investee company in the Central Business District in Beijing should now be worth far more than the carrying costs of the Group, as well as that of the Regal group, with respect to their investments in the project. The Group is strongly committed to this comprehensive development project and plans to develop it into one of the major landmarks in this capital city.
- Moreover, with the ready resources and expertise presently available, the Group is well positioned to seek new projects to strengthen its portfolio in property development and investment, particularly in Mainland China where the economy is booming and business opportunities are relatively abundant.
- The Ap Lei Chau project in the southern side of Hong Kong Island, comprising primarily luxury residential apartments, are expected to be in great demand, as supply of luxury apartments in Hong Kong within the next few years are limited. The Group anticipates that substantial profit will be generated from this project when it has been duly completed and sold.
- Having regard to the prospects of the various business facets of the Group, the Directors are optimistic that the Group, as a whole, will continue to grow and prosper.

REVIEW OF RESULTS

- The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 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 year ended 31st December, 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.
 - The Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that 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.

ANNUAL GENERAL MEETING

- An Annual General Meeting of the Company will be convened on Tuesday, 12th June, 2007. The Notice of the Annual General Meeting will be published in newspapers and sent to the shareholders of the Company, together with the Company's 2006 Annual Report, in due course.

BOARD OF DIRECTORS

- As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Mr. Donald FAN Tung
(Chief Operating Officer)
Mr. Jimmy LO Chun To
Miss LO Po Man
Mr. Kenneth NG Kwai Kai
Mr. Kenneth WONG Po Man

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, 19th April, 2007