

2007 INTERIM ANNOUNCEMENT

Ready for Dynamic Network Expansion

FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2007	Six months ended 30th June, 2006	% Change
	(Unaudited)	(Unaudited)	
	HK\$'M	HK\$'M	
Revenue	622.0	608.3	+2.3%
Operating profit	2,507.4	226.2	+1,008.5%
Profit for the period attributable to equity holders of the parent	2,496.2	310.8	+703.2%
Basic earnings per ordinary share attributable to equity holders of the parent	HK26.3 cents	HK3.7 cent	+610.8%
Interim dividend	HK0.3 cent	HK0.25 cent	+20.0%

FINANCIAL AND BUSINESS REVIEW

FINANCIAL REVIEW

- For the six months ended 30th June, 2007, the Group achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$2,496.2 million, which represented an increase of more than 7 times over the comparative profit of HK\$310.8 million attained in 2006.
- The 2007 financial year is a very fruitful year for the Group. The successful implementation of the separate listing of Regal Real Estate Investment Trust on the Main Board of The Stock Exchange of Hong Kong Limited in March 2007 marked a very important step for the Group in its overall business development. Through this spin-off process, substantial profits and significant new funds have been derived, establishing for the Group a solid platform for its continuing growth.
- Following the completion of the spin-off transactions on 30th March, 2007, the operating structure of the Group in respect of its hotel businesses has changed, as explained in the circular to shareholders in relation to the spin-off of Regal REIT dated 21st February, 2007. Summarily, the five Regal Hotels in Hong Kong are now directly owned by Regal REIT but the Group continues to be the operator and manager of these hotel properties under the lease arrangements and hotel management agreements with Regal REIT. Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, also acts as the asset manager of Regal REIT.
- As at 30th June, 2007, Regal REIT was equity-accounted for by the Group as a 70.5% owned associate. A gain of HK\$2,320.4 million, as attributable to the 29.5% interest in Regal REIT effectively disposed of by the Group, was derived from the sale of the five hotel properties, which has been reflected in the profit achieved for the period under review.
- Due to the elimination of the attributable unrealised gain, the interest in Regal REIT was stated in the Group's financial statements for the period under review only at a net sum of

HK\$292.5 million. The interest in Regal REIT represented by far the most significant investment held by the Group and if it were to be valued plainly based on its attributable share of the underlying net assets of Regal REIT as at 30th June, 2007, the interest held in Regal REIT would have been stated at HK\$7,333.9 million instead. In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to reflect the share of the underlying net assets as attributable to the 70.5% interest held in Regal REIT as mentioned above, is provided in the section headed "Management Discussion and Analysis" below.

- For the period from 11th December, 2006 (the date of establishment of Regal REIT) to 30th June, 2007, Regal REIT attained a profit of HK\$2,165.0 million, which included the gain of HK\$2,044.4 million that arose from its acquisition of the five Regal Hotels in Hong Kong from the Group at a discount to their market valuations. The board of the REIT Manager has also resolved to make a distribution of HK\$0.057 per unit to unitholders for the period from the listing date of Regal REIT of 30th March, 2007 to 30th June, 2007. Further information on the principal business operations and outlook of Regal REIT, including its management discussion and analysis, is contained in Regal REIT's announcement separately released today.

BUSINESS REVIEW

HOTELS

Hong Kong

- During the period under review, market fundamentals in the travel and tourism sector in Hong Kong continued to be strong. Based on the information published by the Hong Kong Tourism Board, there were over 13 million visitor arrivals to Hong Kong during the first half year of 2007, representing an increase of about 6.8% as compared with last year. Over this same comparative period, the average room rate achieved by all the surveyed hotels in Hong Kong as a whole continued to improve; however, due to the enlarged hotel room inventory in Hong Kong and the increased percentage of same day visitors, the overall hotel room occupancy rate has slightly reduced from 86% last year to 83% in the first half of 2007.

- The Regal Airport Hotel is catching up on its room occupancy, improving by about 13% year-on-year in the six months under review, while the other four Regal Hotels in Hong Kong have maintained an average room occupancy of about 87%. Overall for the five Regal Hotels, the combined average room occupancy level was about 81%, reflecting an increase of about 1.5% as compared with the first half of 2006, while the combined average room rate was enhanced by about 3.7%.
- Though the room occupancy at the Regal Oriental Hotel and the Regal Riverside Hotel during the period under review, and particularly in the second quarter, has been affected by the softening of demand from Mainland Chinese leisure groups, the recent strategy to replacing these price sensitive groups with other travel segments such as individual travelers and overseas groups is proving to be successful. The Group will continue to reposition the overall marketing strategy for the five Regal Hotels in Hong Kong to one that is more focused towards individual business and leisure travelers, overseas leisure groups and MICE (meeting, incentive, convention and exhibition) businesses, which is expected to produce positive future impact.
- The Asset Enhancement Programme at the Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel as well as those rooms at the Regal Riverside Hotel that are scheduled for completion within this year have all been substantially completed and by the fourth quarter this year, an aggregate of 194 new hotel rooms will be ready for letting. As part of the agreement for the sale of the five Regal Hotels in Hong Kong to Regal REIT, the Group has undertaken to complete the Asset Enhancement Programme at its own cost. The negotiation on the land premium for the lease modification to permit the construction of 3 additional storeys on top of the existing building structure at the Regal Riverside Hotel, which will provide additionally 274 new hotel rooms, has recently been concluded and the requisite construction works will soon commence.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

- Over 20 houses in Regalia Bay, the luxury residential development in Stanley, Hong Kong have been leased at progressively increased rental rates. The Group will continue to lease out the unsold houses unless the price offered by prospective purchasers is attractive. The Group is discussing with its joint venture partner for a division of the available houses between the two shareholders and based on the proposed arrangement being discussed, it is expected that the Group will have an allocation of 36 available houses with total gross area of about 166,000 square feet.

The People's Republic of China

Development project in the Central Business District of Beijing

- The development project in the Central Business District of Beijing, the People's Republic of China, is 59% owned by an associated company which, in turn, is 50% each held by the Group and Paliburg Holdings Limited, of which the Company is its listed associate. Due to the time required to secure the development rights to the Phase II land site included within the project and to resolve relocation and compensation arrangements with existing occupiers on the land sites, the overall development timetable has been delayed. It is expected that a more accurate projection of the development timetable for this project should be finalised in the near future.

OTHER INVESTMENTS

- In January 2007, the Group entered into a letter of intent with Cosmopolitan International Holdings Limited, a listed company in Hong Kong, to participate in a large scale development project in Shenyang City, Liaoning Province, which is the subject of an overall development cooperation framework agreement between the Cosmopolitan group and the Shenyang Menrong Economic District. Further in May 2007, the Group subscribed for convertible bonds issued by the Cosmopolitan group in a principal amount of HK\$102.5 million, which are convertible into 500 million new shares of Cosmopolitan at an initial conversion price of HK\$0.205 per share. The fair value gain accruing to the Group's investment in these convertible bonds, based on the market price of the shares of Cosmopolitan as at 30th June, 2007, has been reflected in the results for the period under

review. The Cosmopolitan group is working on a number of proposed large scale property development projects in the PRC. Through the investment in the Cosmopolitan group, the Group will be provided with opportunities to directly participate in the hotel and hospitality-related portions planned within certain of these large scale development projects, and indirectly to share in the profit potentials of such projects as would be enhanced by the Group's presence and contribution.

OUTLOOK

- As the latter half of the year is traditionally the higher season, with the fourth quarter being the strongest for the hotel industry in Hong Kong, the five Regal Hotels are expected to achieve better performance than that attained in the first half year.
- Following the spin-off of Regal REIT, the Group is staging its expansion plans in the hotel business sector in two directions, to be undertaken in parallel and on a complementary basis. Regal REIT will focus on the acquisition of hotel and hospitality-related properties and has the mission to build up its existing portfolio and to become a pre-eminent owner of four and five star hotels in Greater China. On the other front, the Group will primarily target on the expansion of the hotel management network as well as the acquisition and development of new hotel and hospitality-related projects, which in appropriate cases may potentially serve as an incubator for future acquisitions by Regal REIT.
- The Group presently holds a substantial amount of cash resources and is free of any bank debt, and it is in a ready position to embark on the planned expansion programme.
- Over the past months, the Group has been actively reviewing a vast number of proposals for the acquisition and/or joint venture of hotel projects in China. Some of these proposals have been identified as possible targets and certain of which are at a relatively more advanced stage of negotiation.

- The Group is however conscious of the increasing volatility in the financial and capital markets over the recent period and is closely watching the rippling effects on the global economic conditions triggered off by the problems over the sub-prime loans in the United States. In view of the latest credit crunch seen in the international financial markets and taking into consideration the cash requirements for the planned expansion, the Directors have taken the prudent view of conserving cash in the Group. Although the total quantum of the interim dividend declared for 2007 is relatively modest, the amount of interim dividend per ordinary share nonetheless represented an increase of 20% over the comparative amount paid out for 2006.
- The Directors are confident that as the Group maintains a very strong financial position, the Group is now ready for dynamic network expansion and well-poised to take advantage of any attractive investment or other opportunities that may become available in the near future, which can serve to enhance long-term value to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

- During the period under review, net cash inflow from operating activities totalled HK\$4.5 million (2006 – HK\$204.1 million). Net interest payment for the period amounted to HK\$36.7 million (2006 – HK\$152.7 million).
- Aggregate depreciation and amortisation provided for the period under review amounted to HK\$37.6 million (2006 – HK\$68.0 million). The amount of the depreciation on the hotel buildings and amortisation of the prepaid land lease payments charged to the income statement for the period of HK\$24.9 million (2006 – HK\$49.7 million) had no actual impact on the operating cash flows. Following the effective sale of the five hotel properties in Hong Kong to Regal REIT on 30th March, 2007, no further depreciation on the hotel buildings and related fixed assets, and amortisation of the prepaid land lease payments in respect of such hotel properties will be required.
- In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's

net assets position, compiled on a proforma basis to adjust for the interest held in Regal REIT to reflect the share of the underlying net assets of Regal REIT attributable to the Group, is provided as follows:

Statement of Proforma Net Assets

	30th June, 2007
	(Unaudited)
	HK\$'M
Interest in a jointly controlled entity	2,050.7
Interest in Regal REIT	7,333.9
Interests in other associates	494.2
Other non-current assets	1,351.1
Total non-current assets	<u>11,229.9</u>
Net current assets	<u>858.6</u>
Total assets less current liabilities	12,088.5
Non-current liabilities	(131.5)
Minority interests	(1.3)
Proforma net assets attributable to equity holders of the parent	<u><u>11,955.7</u></u>
Proforma net asset value per ordinary share	<u><u>HK\$1.14</u></u>

- As at 30th June, 2007, the Group had no bank borrowings and had total cash and bank balances, net of other borrowings, of HK\$2,009.0 million (31st December, 2006 – net borrowings of HK\$4,375.0 million, representing a gearing ratio of 61.8% based on total assets of HK\$7,078.4 million).
- As at 30th June, 2007, part of the Group's bank deposits in the amount of HK\$1,000.0 million were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. Under the lease agreements in connection with the leasing of the hotel properties from Regal REIT, the Group has guaranteed a total minimum variable rent payable for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK\$220.0

million. In addition, pursuant to the distributable income guarantee deed signed in connection with the spin-off of Regal REIT, the Group has guaranteed the total distributable income of Regal REIT for the period from the date of its listing (i.e. 30th March, 2007) to 31st December, 2007 to be not less than HK\$420.3 million.

- During the period under review, the Group continued to adopt similar funding, treasury and remuneration policies as disclosed in the annual report of the Company for the year ended 31st December, 2006. Detailed information in such aspect is contained in the interim report of the Company for the six months ended 30th June, 2007.
- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed “Business Review” and “Outlook” above.
- Following the spin-off of the Regal REIT on 30th March, 2007, the Group’s significant investments principally comprised its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT (which now directly owns the five Regal hotels in Hong Kong), the asset management of Regal REIT, the interest in the jointly controlled Regalia Bay development and other investment businesses. The performance of the Group’s hotel 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, the related performance of Regal REIT as well as the progress and prospects on the Regalia Bay development are contained in the sections headed “Business Review” and “Outlook” above, respectively.

DIVIDEND

- In view of the satisfactory results achieved, the Directors have declared the payment of an interim dividend of HK0.3 cent per ordinary share for the financial year ending 31st December, 2007, an increase of 20% over the comparative amount of HK0.25 cent paid for 2006, absorbing a total amount of approximately HK\$32.0 million (2006 – HK\$21.1 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 21st September, 2007.

CLOSURE OF REGISTER

- The Register of Ordinary Shareholders will be closed from Wednesday, 19th September, 2007 to Friday, 21st September, 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:00 p.m. on Tuesday, 18th September, 2007. The relevant dividend warrants are expected to be despatched on or about 11th October, 2007.

HALF YEAR RESULTS

Condensed Consolidated Income Statement

	Six months ended 30th June, 2007	Six months ended 30th June, 2006
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
REVENUE (Note 2)	622.0	608.3
Cost of sales	(532.8)	(320.0)
Gross profit	<u>89.2</u>	<u>288.3</u>
Other income and gains (Note 3)	203.9	41.5
Administrative expenses	(68.5)	(35.6)
Gain on disposal of subsidiaries (Note 4)	2,320.4	–
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	<u>2,545.0</u>	<u>294.2</u>
Depreciation and amortisation	(37.6)	(68.0)
OPERATING PROFIT (Note 2)	<u>2,507.4</u>	<u>226.2</u>
Finance costs	(80.3)	(134.9)
Share of profits and losses of:		
Jointly controlled entity	1.9	217.1
Associates	79.3	(1.0)
PROFIT BEFORE TAX	<u>2,508.3</u>	<u>307.4</u>
Tax (Note 6)	(12.1)	3.4
PROFIT FOR THE PERIOD	<u>2,496.2</u>	<u>310.8</u>
Attributable to:		
Equity holders of the parent	2,496.2	310.8
Minority interests	–	–
	<u>2,496.2</u>	<u>310.8</u>
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		
Basic	<u>HK26.3 cents</u>	<u>HK3.7 cents</u>
Diluted	<u>HK23.4 cents</u>	<u>HK3.0 cents</u>
DIVIDEND PER ORDINARY SHARE	<u>HK0.3 cent</u>	<u>HK0.25 cent</u>

Condensed Consolidated Balance Sheet

	30th June, 2007 (Unaudited) HK\$'M	31st December, 2006 (Audited) HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	9.8	10.6
Interest in a jointly controlled entity	2,050.7	2,032.6
Interests in associates	786.7	488.8
Financial assets at fair value through profit or loss	272.5	–
Other loan	66.4	65.6
Deferred tax assets	2.4	2.4
Pledged bank deposits	1,000.0	–
Total non-current assets	<u>4,188.5</u>	<u>2,600.0</u>
CURRENT ASSETS		
Hotel and other inventories	18.4	17.8
Debtors, deposits and prepayments (Note 8)	163.9	162.0
Financial assets at fair value through profit or loss	200.0	29.8
Time deposits	1,090.3	156.3
Cash and bank balances	50.2	66.4
	<u>1,522.8</u>	<u>432.3</u>
Assets of a disposal group classified as held for sale	–	4,046.1
Total current assets	<u>1,522.8</u>	<u>4,478.4</u>

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2007	31st December, 2006
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 9)	(662.6)	(229.4)
Derivative financial instrument	(0.2)	(0.6)
Interest bearing bank borrowings	–	(1,718.7)
Convertible bonds	–	(122.5)
Tax payable	(1.4)	(2.4)
	<hr/>	<hr/>
	(664.2)	(2,073.6)
Liabilities directly associated with the assets of a disposal group classified as held for sale	–	(29.1)
	<hr/>	<hr/>
Total current liabilities	(664.2)	(2,102.7)
	<hr/>	<hr/>
NET CURRENT ASSETS	858.6	2,375.7
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	5,047.1	4,975.7
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Convertible preference shares	(131.5)	(127.7)
Interest bearing bank borrowings	–	(2,628.8)
	<hr/>	<hr/>
Total non-current liabilities	(131.5)	(2,756.5)
	<hr/>	<hr/>
Net assets	4,915.6	2,219.2
	<hr/>	<hr/>

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2007	31st December, 2006
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	105.1	91.4
Equity component of convertible bonds	–	13.6
Reserves	4,777.2	1,966.4
Dividends	32.0	146.5
	4,914.3	2,217.9
Minority interests	1.3	1.3
Total equity	4,915.6	2,219.2

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, 2006, except for the adoption of the following Hong Kong Financial Reporting Standards (“HKFRSs”) mandatory for annual periods beginning on or after 1st January, 2007.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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.

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:

- (a) the hotel ownership/operation[†] and management segment engages in hotel operations and the provision of hotel management services;
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for their rental income, and the provision of property agency and management services; and
- (d) the others segment mainly comprises the Group's securities trading, other investment business, health products operations and bakery operations.

[†] the Group owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter leased the hotel properties from Regal REIT for hotel operations

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 tables present revenue and profit/(loss) information for the Group's business segments.

Group	Hotel ownership/ operation and management		Asset management		Property development and investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2007		Six months ended 30th June, 2006		Six months ended 30th June, 2007		Six months ended 30th June, 2006		Six months ended 30th June, 2007		Six months ended 30th June, 2006	
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
Segment revenue:												
Sales to external customers	596.3	575.0	17.4	-	0.6	0.5	7.7	32.8	-	-	622.0	608.3
Intersegment sales	0.1	1.1	-	-	0.2	0.1	1.6	1.2	(1.9)	(2.4)	-	-
Total	<u>596.4</u>	<u>576.1</u>	<u>17.4</u>	<u>-</u>	<u>0.8</u>	<u>0.6</u>	<u>9.3</u>	<u>34.0</u>	<u>(1.9)</u>	<u>(2.4)</u>	<u>622.0</u>	<u>608.3</u>
Segment results before depreciation and amortisation	46.8	274.9*	11.6	-	0.4	0.2	167.2	31.5	-	-	226.0	306.6
Depreciation and amortisation	(36.4)	(67.8)	(0.1)	-	(0.1)	(0.1)	-	(0.1)	-	-	(36.6)	(68.0)
Segment operating results	<u>10.4</u>	<u>207.1</u>	<u>11.5</u>	<u>-</u>	<u>0.3</u>	<u>0.1</u>	<u>167.2</u>	<u>31.4</u>	<u>-</u>	<u>-</u>	<u>189.4</u>	<u>238.6</u>
Interest income and unallocated non-operating and corporate gains											2,353.0	8.5
Unallocated non-operating and corporate expenses											<u>(35.0)</u>	<u>(20.9)</u> *
Operating profit											2,507.4	226.2
Finance costs											(80.3)	(134.9)
Share of profits and losses of:												
Jointly controlled entity	-	-	-	-	1.9	217.1	-	-	-	-	1.9	217.1
Associates	(0.4)	(0.2)	80.2	-	(0.3)	(0.6)	(0.2)	(0.2)	-	-	79.3	(1.0)
Profit before tax											2,508.3	307.4
Tax											(12.1)	3.4
Profit for the period											<u>2,496.2</u>	<u>310.8</u>
Attributable to:												
Equity holders of the parent											2,496.2	310.8
Minority interests											-	-
											<u>2,496.2</u>	<u>310.8</u>

* restated to reflect the reallocation of certain staff costs and directors' emoluments in the amount of HK\$12.5 million from segment results of hotel ownership/operation and management to unallocated non-operating and corporate expenses

(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, 2007		Six months ended 30th June, 2007		Six months ended 30th June, 2007		Six months ended 30th June, 2007	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Segment revenue:								
Sales to external customers	<u>619.7</u>	<u>606.1</u>	<u>2.3</u>	<u>2.2</u>	<u>-</u>	<u>-</u>	<u>622.0</u>	<u>608.3</u>

3. Other income and gains are analysed as follows:

	Six months ended 30th June, 2007	Six months ended 30th June, 2006
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
<u>Other income</u>		
Bank interest income	26.9	2.8
Interest income from other loan	0.8	1.5
Dividend income from listed investments	0.1	3.0
Net settlement amount received for the claim in connection with the agreement for the sale and purchase of the Group's hotel property in Canada in 2002	4.4	–
Others	0.1	–
	<hr/> 32.3 <hr/>	<hr/> 7.3 <hr/>
 <u>Gains</u>		
Fair value gains on financial assets at fair value through profit or loss, net	171.2	29.9
Fair value gain on derivative financial instrument	0.4	4.3
	<hr/> 171.6 <hr/>	<hr/> 34.2 <hr/>
	<hr/> 203.9 <hr/>	<hr/> 41.5 <hr/>

4. Gain on disposal of subsidiaries

The gain arose from the completion of the spin-off of Regal REIT (the “Spin-off”) during the period, which comprised the global offering and separate listing of the units in Regal REIT on The Stock Exchange of Hong Kong Limited, and all the incidental arrangements which primarily involved the disposal of the Group’s subsidiaries owning the five hotel properties in Hong Kong to Regal REIT, a real estate investment trust constituted by a trust deed between Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, as the manager of Regal REIT and DB Trustees (Hong Kong) Limited as the trustee of Regal REIT. The Group has retained 70.5% interest in Regal REIT and

effectively disposed of 29.5% of its interest in the hotel properties upon the completion of the Spin-off (after accounting for the exercise of the over allotment option of the units in Regal REIT pursuant to the global offering).

5. An analysis of gain on sale of investments of the Group is as follows:

	Six months ended 30th June, 2007 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M
Gain on sale of equity investments at fair value through profit or loss	0.7	2.5

6. The tax charge/(credit) for the period arose as follows:

	Six months ended 30th June, 2007 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M
Current – Hong Kong	1.0	–
Current – Overseas		
Provision for tax in respect of profits for the period	0.2	0.2
Prior year overprovision	–	(0.3)
Deferred tax	10.9	(3.3)
Tax charge/(credit) for the period	12.1	(3.4)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% to the estimated assessable profits which were earned in or derived from Hong Kong during the period. No provision for Hong Kong profits tax had been made in the prior year as the Group had no assessable profits or had available tax losses brought forward from prior years to offset the assessable profits, derived from or earned in Hong Kong during that period.

Tax on the profits of subsidiaries operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

No provision for tax is required for the jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the period (2006 – Nil).

The share of tax charge attributable to the associates amounting to HK\$6.3 million is included in “Share of profits and losses of associates” on the face of the condensed consolidated income statement.

Deferred tax income has been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

7. 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\$2,496.2 million (2006 – HK\$310.8 million), and on the weighted average of 9,475.6 million (2006 – 8,397.9 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, 2007 is based on the adjusted profit for the period attributable to equity holders of the parent of HK\$2,500.0 million as adjusted for the interest savings arising from the conversion of the convertible preference shares into ordinary shares of the Company, and on the adjusted weighted average of 10,681.2 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, and all outstanding convertible preference shares of the Company were converted into ordinary shares of the Company at the beginning of the period. In addition, the exercise price of the share options of the Company outstanding during the period is higher than the average market price of the Company’s ordinary shares 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, 2006 was based on the adjusted profit for that period attributable to equity holders of the parent of HK\$316.5 million, as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 10,413.2 million ordinary shares of the Company that would have been in issue during that period assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of that period. The conversion of the outstanding convertible preference shares of the Company was anti-dilutive for that period and was not included in the calculation of diluted earnings per ordinary share. In addition, the exercise price of the share options of the Company outstanding during that period was higher than the average market price of the Company's ordinary shares and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

8. Included in debtors, deposits and prepayments is an amount of HK\$85.9 million (31st December, 2006 – HK\$91.1 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2007	31st December, 2006
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	73.6	81.7
Between 4 to 6 months	5.1	5.8
Between 7 to 12 months	5.3	2.0
Over 1 year	2.6	2.3
	<hr/> 86.6	<hr/> 91.8
Impairment	(0.7)	(0.7)
	<hr/> 85.9 <hr/>	<hr/> 91.1 <hr/>

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less impairment which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

9. Included in creditors and accruals is an amount of HK\$51.0 million (31st December, 2006 – HK\$64.2 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2007	31st December, 2006
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	49.9	61.9
Between 4 to 6 months	0.7	1.6
Between 7 to 12 months	0.2	0.6
Over 1 year	0.2	0.1
	<hr/> 51.0 <hr/>	<hr/> 64.2 <hr/>

The trade creditors are interest-free and are normally settled in 30 to 60 days.

10. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2007.

REVIEW OF RESULTS

- The Group's condensed consolidated interim financial statements for the six months ended 30th June, 2007 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, 2007 to be despatched to shareholders.
- The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30th June, 2007, 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, 2007, except that:
 - (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
 - (2) The Non-Executive Director and the Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Non-Executive Director 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

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

Executive Directors:

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

Non-Executive Director:

Dr. Francis CHOI Chee Ming, JP
(Vice Chairman)

Independent Non-Executive Directors:

Ms. Alice KAN Lai Kuen
Mr. NG Siu Chan
Mr. WONG Chi Keung

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 27th August, 2007