



(Stock Code: 617)

## 2005 INTERIM ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2005 (Unaudited)	Six months ended 30th June, 2004 (Unaudited and restated)	% Change
<b>Net profit attributable to shareholders</b>	<b>HK\$144.1 million</b>	HK\$37.8 million	<b>+281.2%</b>
<b>Basic earnings per ordinary share</b>	<b>HK2.00 cents</b>	HK0.83 cent	<b>+141.0%</b>

### REVIEW OF OPERATIONS

- For the six months ended 30th June, 2005, the Group attained an unaudited consolidated net profit attributable to shareholders of HK\$144.1 million, representing an increase of about 281.2% as compared with the HK\$37.8 million (as restated) recorded for the corresponding period in 2004.
- In the preparation of the Group's interim financial statements for the six months ended 30th June, 2005 herein presented, the Company has adopted a number of new or revised Hong Kong Accounting Standards, which are generally applicable for accounting periods beginning from 1st January, 2005, and relevant comparative figures for 2004 have correspondingly been restated. The impact on the Group's interim financial statements under review arising from the adoption of these new or revised accounting standards are set out in the Notes to the Condensed Consolidated Financial Statements below.
- In the corresponding period in 2004, Regal Hotels International Holdings Limited was accounted for as a subsidiary of the Company as the Group then held over 50% of the ordinary shares of Regal. As explained in the 2004 Annual Report despatched to shareholders in April 2005, Regal ceased to be a subsidiary of the Company on 31st July, 2004 and has since been equity accounted for as an associate of the Group.
- Prior to 1st January, 2005, it was the policy of Regal, in accordance with the relevant accounting standards previously applicable, to state the value of its owned and operated hotel properties at their open market valuations appraised annually and not depreciated. Upon the adoption by Regal of the new accounting standards, Regal's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation on the hotel land and buildings. However, adjustments have been made retrospectively to reflect the fair value of Regal's hotel properties in 1993 when the Group initially acquired Regal as a subsidiary.
- In order to present a fair view of the 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 that Regal were to continue to state its five hotel properties in Hong Kong at their open market valuations as at 31st December, 2004 and not depreciated, is presented in the section headed "Management Discussion and Analysis" below.
- The basic terms and the land premium amount for the lease modification of the development site at Ap Lei Chau Inland Lot No. 129 have been agreed and finalised with the government. The Group retains a 30% interest in this joint venture development and under the terms of the joint venture, any funding required for the development project will be procured by the other joint venture partners. The proposed development entails primarily residential accommodation having gross floor area of about 900,000 square feet together with ancillary retail, recreational and car parking facilities. Site formation works are scheduled to commence shortly.
- The Group holds for rental income 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, at the commercial building at 211 Johnston Road, Wanchai. About 90% of the units is leased to date, with increasing rentals achieved on new leases or tenancy renewals.
- The Group is retaining a majority of the 16 duplex units in the "Rainbow Lodge" residential development at 9 Ping Shan Lane, Yuen Long, New Territories. In view of the positive outlook of the residential property market, the retained units will be released for sale on a gradual basis.

- On 8th July, 2005, the Group entered into a Sale and Purchase Agreement with the Regal group for the sale of a 50% equity interest in Hang Fok Properties Limited at a consideration of HK\$145 million. Hang Fok holds a 23% shareholding interest each in two investee companies which are principally engaged in the development of a property project in the Central Business District (CBD) of Beijing, PRC, comprising office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor areas of about 4,630,000 square feet. Completion of the agreement has taken place on 8th July, 2005, with the consideration settled by way of a promissory note, and Hang Fok has hence become a 50%-owned associate of the Group. Details of the transaction are contained in the Discloseable Transaction Circular to shareholders dated 25th July, 2005.
- For the six months ended 30th June, 2005, Regal achieved an unaudited consolidated net profit attributable to ordinary shareholders of HK\$302.3 million, after netting off aggregate depreciation and amortisation of HK\$64.9 million (2004 – HK\$69.1 million, as restated), which represented an increase of about 176.1% as compared with the net profit of HK\$109.5 million (as restated) for the corresponding period in 2004.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

### OUTLOOK

- The Group's controlling interest in Regal is yielding encouraging growth prospects. The Group's financial position is now very healthy and the gearing ratio is maintained at a very low level. To complement its strategic investment holding in Regal, the Group is actively seeking appropriate development and investment opportunities in the property sector which will continue to be a core business of the Group. With the anticipated improvement in the overall performance of the Group, the Directors are hopeful that the Company will soon resume payment of dividends to shareholders.

### MANAGEMENT DISCUSSION AND ANALYSIS

- In the corresponding period in 2004, Regal was accounted for as a subsidiary of the Company as the Group then held over 50% of the ordinary shares of Regal. Regal ceased to be a subsidiary of the Company on 31st July, 2004 and has since been equity accounted for as an associate of the Group.
- Net cash outflow from operating activities during the period under review amounted to HK\$12.2 million (2004 – inflow of HK\$135.9 million). Net interest payment for the period amounted to HK\$25.8 million (2004 – HK\$51.1 million).
- Prior to 1st January, 2005, it was the policy of Regal, in accordance with the relevant accounting standards previously applicable, to state the value of its owned and operated hotel properties at their open market valuations appraised annually and not depreciated. Upon the adoption by Regal of the new accounting standards, Regal's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation on the hotel land and buildings. However, adjustments have been made retrospectively to reflect the fair value of Regal's hotel properties in 1993 when the Group initially acquired Regal as a subsidiary.
- In order to fully reflect the underlying economic values of Regal's hotel properties in Hong Kong, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis that Regal were to continue to state its five hotel properties in Hong Kong at their open market valuations as at 31st December, 2004 and not depreciated.

## STATEMENT OF PROFORMA NET ASSETS

	30th June, 2005 (Unaudited) HK\$'M	31st December, 2004 (Unaudited) HK\$'M
<b>NON-CURRENT ASSETS</b>		
Interests in associates	2,241.2	2,061.6
Add: Attributable revaluation surplus relating to hotel properties of Regal*	1,240.6	1,221.2
	<b>3,481.8</b>	<b>3,282.8</b>
Other non-current assets	362.2	329.4
	<b>3,844.0</b>	<b>3,612.2</b>
<b>CURRENT ASSETS</b>	<b>506.1</b>	461.6
<b>CURRENT LIABILITIES</b>	<b>(163.1)</b>	(281.0)
<b>NET CURRENT ASSETS</b>	<b>343.0</b>	180.6
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,187.0</b>	3,792.8
<b>NON-CURRENT LIABILITIES</b>	<b>(183.6)</b>	(34.4)
<b>MINORITY INTERESTS</b>	<b>(0.1)</b>	(0.2)
<b>PROFORMA NET ASSETS</b>	<b>4,003.3</b>	<b>3,758.2</b>
Proforma net assets per ordinary share	<b>HK\$0.56</b>	<b>HK\$0.52</b>

\* Based on open market valuations as at 31st December, 2004 less fair value adjustment already taken into account by the Group in its interests in associates

- As at 30th June, 2005, the Group's gross borrowings net of cash and bank balances amounted to HK\$45.0 million (31st December, 2004 – HK\$10.3 million). Gearing ratio based on total assets of HK\$3,109.5 million (31st December, 2004 – HK\$2,852.6 million, as restated) was 1.4% (31st December, 2004 – 0.4%, as restated). However, based on the proforma total assets of HK\$4,350.1 million as at 30th June, 2005 (31st December, 2004 – HK\$4,073.8 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 1.0% (31st December, 2004 – 0.3%).
- As the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.
- During the period under review, the Group refinanced one of its outstanding bank borrowings with a long term bank loan. Save as aforesaid, information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 30th June, 2005 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2004 (the "2004 Annual Report"). During the period, the Company continued to adopt the similar funding, treasury and remuneration policies as disclosed in the 2004 Annual Report. Detailed information in such aspects is contained in the Company's 2005 Interim Report.
- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Review of Operations" and "Outlook" above.
- The Group's significant investments principally constitute its shareholding interest in Regal, the listed associate of the Company. The significant investments of Regal comprise primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of Regal and its operations during the period under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance of Regal as well as the progress and prospects on the Regalia Bay development are contained in the Interim Announcement of Regal separately released today.

## DIVIDEND

- The Directors have resolved not to declare the payment of an interim dividend in respect of the ordinary shares for the financial year ending 31st December, 2005 (2004 – Nil).

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Condensed Consolidated Profit and Loss Account

	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2004 (Unaudited and restated) HK\$'M
TURNOVER (Note 4)	30.1	570.2
Cost of sales	(15.6)	(352.0)
Gross profit	14.5	218.2
Other revenue (Note 5)	15.5	3.2
Administrative expenses	(13.0)	(34.5)
Other operating expenses, net (Note 6)	(0.3)	(44.9)
Write-back of impairment of a hotel property	—	30.0
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (Note 4)	16.7	172.0
Depreciation and amortisation	(0.1)	(100.2)
OPERATING PROFIT	16.6	71.8
Finance costs (Note 8)	(7.5)	(51.2)
Share of profits less losses of:		
Jointly controlled entity	—	59.3
Associates	135.6	(7.1)
PROFIT BEFORE TAX	144.7	72.8
Tax (Note 9)	(0.6)	10.5
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	144.1	83.3
ATTRIBUTABLE TO:		
Equity holders of the parent	144.1	37.8
Minority interests	—	45.5
	<b>144.1</b>	<b>83.3</b>
Earnings per ordinary share (Note 10)		
Basic	<b>HK2.00 cents</b>	HK0.83 cent
Diluted	<b>HK1.74 cents</b>	HK0.62 cent

## Condensed Consolidated Balance Sheet

	30th June, 2005 (Unaudited) HK\$'M	31st December, 2004 (Restated) HK\$'M
<b>NON-CURRENT ASSETS</b>		
Fixed assets	1.5	1.5
Investment properties	0.3	0.9
Goodwill	58.0	58.0
Property under development	7.2	7.2
Property held for future development	26.7	26.7
Interests in associates	2,241.2	2,061.6
Available-for-sale investments	232.3	203.5
Financial assets at fair value through profit or loss	11.3	—
Loans and other long term receivable	24.9	31.6
	<b>2,603.4</b>	<b>2,391.0</b>
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	6.1	5.1
Properties held for sale	250.6	250.6
Inventories	6.7	3.3
Debtors, deposits and prepayments	42.5	26.3
Time deposits	110.3	81.8
Cash and bank balances	10.9	15.5
	<b>427.1</b>	<b>382.6</b>
Non-current asset classified as held for sale	79.0	79.0
	<b>506.1</b>	<b>461.6</b>
<b>CURRENT LIABILITIES</b>		
Creditors and accruals	90.5	118.6
Tax payable	5.9	5.3
Interest bearing bank and other borrowings	17.0	107.6
Deposits received	49.7	49.5
	<b>163.1</b>	<b>281.0</b>
<b>NET CURRENT ASSETS</b>	<b>343.0</b>	180.6
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,946.4</b>	2,571.6
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing bank and other borrowings	(149.2)	—
Advance from the minority shareholder of a subsidiary company	(34.4)	(34.4)
	<b>(183.6)</b>	<b>(34.4)</b>
	<b>2,762.8</b>	<b>2,537.2</b>
<b>CAPITAL AND RESERVES</b>		
Equity attributable to equity holders of the parent	72.1	72.1
Issued capital	2,690.6	2,464.9
Reserves	2,762.7	2,537.0
Minority interests	0.1	0.2
	<b>2,762.8</b>	<b>2,537.2</b>

## Notes:

1. The interim financial statements for the six months ended 30th June, 2005 have not been audited, but have been reviewed by Ernst & Young, the Company's Auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2005 to be despatched to shareholders, and by the Audit Committee of the Company.

## 2. 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, 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and its listed associate, Regal, and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HK-Int 2	The Appropriate Policies for Hotel Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 11, 12, 14, 18, 19, 21, 23, 24, 28, 31, 33, 37, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and Regal, and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs by the Group and Regal is summarised as follows:

(a)	HKAS 16	Property, Plant and Equipment
	HKAS 17	Leases
	HK-Int 2	The Appropriate Policies for Hotel Properties

In prior periods, the Regal group's hotel properties were stated at their open market values for existing use on the basis of annual professional valuations. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

Upon the adoption of HKAS 16 and HK-Int 2, the Regal group's leasehold interest in the hotel buildings is now stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Regal group's leasehold interest in hotel land and buildings is separated into leasehold land and leasehold buildings. Regal's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Regal group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effects of the above changes are summarised in Note 3 below. The comparative amounts in the condensed consolidated balance sheet for the year ended 31st December, 2004 have been restated.

(b)	HKAS 32 and HKAS 39 – Financial Instruments
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## (i) Equity securities

In prior periods, the Group classified its investments in listed and unlisted equity securities which were held for non-trading purposes as long term investments and were stated at fair values.

The gains or losses arising from changes in fair values of a security were dealt with as movements in the long term investment revaluation reserve, until the security was sold, collected or otherwise disposed of, or until the security was determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, was charged to the profit and loss account for the period in which the impairment arose.

Upon the adoption of HKASs 32 and 39, and in accordance with the transitional provisions of HKAS 39, certain of these securities are classified by the Group as financial assets at fair value through profit or loss. Any gain or loss arising from a change in the fair value of the financial assets is recognised in the profit and loss account.

The effects of the above changes are summarised in Note 3 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

## (ii) Convertible bonds

In prior periods, the Regal group's convertible bonds were stated at amortised cost. Upon the adoption of HKASs 32 and 39, convertible bonds issued are split into liability and equity components.

The effects of the above changes are summarised in Note 3 below. In accordance with HKAS 32, comparative amounts have been restated.

## (iii) Convertible preference shares

In prior periods, the Regal group's convertible preference shares were stated at their par values under equity and the related share premium had been cancelled to offset against the Regal group's accumulated losses in a capital reorganisation in 2002. Upon the adoption of HKASs 32 and 39, the whole principal amount of the convertible preference shares is restated and split into liability and equity components.

The effects of the above changes are summarised in Note 3 below. In accordance with HKAS 32, comparative amounts have been restated.

(c)	HKAS 40 – Investment Property
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In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in Note 3 below.

(d)	HKFRS 2 – Share-based Payment
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In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

The effects of adopting HKFRS 2 on the share options granted by the Company and Regal to employees (including directors) during the current period are summarised in Note 3 below. There were no share options granted to any employees or directors in any prior period after 7th November, 2002.

## (e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings.

The effects of the above changes are summarised in Note 3 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

## (f) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations and HKAS 27 Consolidated and Separate Financial Statements

In prior periods, the Group's interest in an investee company was classified under interests in associates despite its equity interest in the company was increased from 50% to 100% in 2003, since it has entered into an agreement subsequently in that year to dispose of the entire equity interest in the company and accordingly the control over the company is considered temporary depending on the outcome of the agreement.

The agreement for the disposal has not yet been completed and upon the adoption of HKAS 27 and HKFRS 5, the Group's interest in the company amounting to HK\$79.0 million is reclassified from interests in associates to non-current asset classified as held for sale, which is now presented as a separate item under current assets. In accordance with the transitional provision of HKFRS 5, the comparative amount has been restated.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

## (a) Effect on opening balance of total equity at 1st January, 2005

Effect of new policies (increase/decrease)	Notes	Equity components of convertible bonds and convertible preference shares of an associate	Capital reserve	Assets revaluation surplus/ Revaluation reserves	Retained profits	Total
		(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
<b>Prior period adjustments:</b>						
HKASs 16 and 17						
Hotel properties	2(a)	—	(466.7)	27.7	(779.6)	(1,218.6)
HKASs 32 and 39						
Convertible bonds	2(b)(ii)	9.8	—	—	(1.4)	8.4
Convertible preference shares	2(b)(iii)	5.2	—	—	(80.3)	(75.1)
Net increase/(decrease) in total equity before opening adjustments		15.0	(466.7)	27.7	(861.3)	(1,285.3)
<b>Opening adjustments:</b>						
HKAS 39						
Cumulative gain in fair value of financial assets	2(b)(i)	—	—	(4.0)	4.0	—
HKAS 40						
Surplus on revaluation of investment properties	2(c)	—	—	(0.3)	0.3	—
HKFRS 3						
Derecognition of negative goodwill	2(e)	—	(420.5)	—	464.6	44.1
<b>Total effect at 1st January, 2005</b>		<b>15.0</b>	<b>(887.2)</b>	<b>23.4</b>	<b>(392.4)</b>	<b>(1,241.2)</b>

## (b) Effect on opening balance of total equity at 1st January, 2004

Effect of new policies (increase/decrease)	Notes	Equity component of convertible preference shares of a subsidiary company	Capital reserve	Assets revaluation surplus/ Revaluation reserves	Retained profits	Minority interests	Total
		(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
<b>Prior period adjustments:</b>							
HKASs 16 and 17							
Hotel properties	2(a)	—	(466.7)	706.7	(256.6)	20.8	4.2
HKASs 32 and 39							
Convertible preference shares	2(b)(iii)	5.2	—	—	(69.7)	(94.9)	(159.4)
<b>Total effect at 1st January, 2004</b>		<b>5.2</b>	<b>(466.7)</b>	<b>706.7</b>	<b>(326.3)</b>	<b>(74.1)</b>	<b>(155.2)</b>

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30th June, 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39, 40 and HKFRS 3, the amounts shown for the six months period ended 30th June, 2004 may not be comparable to the amounts shown for the current interim period.

## (c) Effect on profit after tax for the six months ended 30th June, 2005 and 2004

Effect of new policies (increase/decrease)	Notes	2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
<b>Effect on profit after tax:</b>							
HKAS 16							
Depreciation on hotel buildings net of related deferred tax	2(a)	(13.2)	—	(13.2)	(22.1)	(27.2)	(49.3)
Write-back of impairment of a hotel property	2(a)	—	—	—	(60.9)	(74.9)	(135.8)
HKAS 17							
Amortisation of prepaid land lease payments	2(a)	(5.0)	—	(5.0)	(5.0)	(6.1)	(11.1)
HKAS 39							
Gain in fair value of financial assets at fair value through profit or loss	2(b)(i)	30.2	—	30.2	—	—	—
Finance cost on convertible bonds	2(b)(ii)	(1.6)	—	(1.6)	—	—	—
Finance cost on convertible preference shares	2(b)(iii)	(1.7)	—	(1.7)	(1.7)	(2.1)	(3.8)
HKFRS 2							
Employee share option scheme	2(d)	(0.2)	—	(0.2)	—	—	—
HKFRS 3							
Discontinuation of amortisation of goodwill/recognition of negative goodwill	2(e)	0.4	—	0.4	—	—	—
<b>Total effect for the period</b>		<b>8.9</b>	<b>—</b>	<b>8.9*</b>	<b>(89.7)</b>	<b>(110.3)</b>	<b>(200.0)</b>
<b>Effect on earnings per share:</b>							
Basic		HK0.12 cent			HK(1.96) cents		
Diluted		HK0.12 cent			HK(1.46) cents		

\* An amount of HK\$5.8 million was included in the share of profits less losses of associates.

- (d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30th June, 2005 and 2004

Effect of new policies (increase/(decrease))	Note	For the six months ended 30th June					
		2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
HKFRS 2							
Employee share option scheme	2(d)	0.2	—	0.2	—	—	—
<b>Total effect for the period</b>		<b>0.2</b>	<b>—</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>

#### 4. 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 is engaged 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 is engaged in hotel operations and the provision of hotel management services; and
- the others segment mainly comprises investment and securities trading businesses, brewery operations, laundry services and bakery 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 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		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2005		Six months ended 30th June, 2004		Six months ended 30th June, 2005		Six months ended 30th June, 2004		Six months ended 30th June, 2005		Six months ended 30th June, 2004	
	(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
	(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	4.9	32.6	25.2	55.5	—	454.3	—	27.8	—	—	30.1	570.2
Intersegment sales	—	0.5	2.1	21.2	—	1.2	—	4.9	(2.1)	(27.8)	—	—
<b>Total</b>	<b>4.9</b>	<b>33.1</b>	<b>27.3</b>	<b>76.7</b>	<b>—</b>	<b>455.5</b>	<b>—</b>	<b>32.7</b>	<b>(2.1)</b>	<b>(27.8)</b>	<b>30.1</b>	<b>570.2</b>
Segment results	(0.5)	12.6	12.1	5.5	—	170.7	—	5.1	1.0	—	16.7	189.8
Interest income and unallocated non-operating and corporate gains											10.5	1.7
Unallocated non-operating and corporate expenses											(10.5)	(19.5)
Operating profit before depreciation and amortisation											16.7	172.0
Depreciation and amortisation											(0.1)	(100.2)
Operating profit											16.6	71.8
Finance costs											(7.5)	(51.2)
Share of profits less losses of:												
Jointly controlled entity	—	59.3	—	—	—	—	—	—	—	—	—	59.3
Associates	—	—	—	—	135.7	(0.2)	(0.1)	(6.9)	—	—	135.6	(7.1)
Profit before tax											144.7	72.8
Tax											(0.6)	10.5
Profit for the period before allocation between equity holders of the parent and minority interests											144.1	83.3
Attributable to:												
Equity holders of the parent											144.1	37.8
Minority interests											—	45.5
											144.1	83.3

#### (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, 2005		Six months ended 30th June, 2004		Six months ended 30th June, 2005		Six months ended 30th June, 2004	
	(Unaudited) HK\$'M	(Unaudited) HK\$'M						
Segment revenue:								
Sales to external customers	30.0	543.9	0.1	26.3	—	—	30.1	570.2

5. Other revenue includes the following major items:

	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2004 (Unaudited) HK\$'M
Interest income	1.8	1.6
Dividend income	9.9	0.3
Gain in fair value of financial assets	3.8	—

6. Other operating expenses, net, include the following major item:

	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2004 (Unaudited) HK\$'M
Termination fee in respect of cancellation of the disposal of a hotel property	—	39.0

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

	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2004 (Unaudited) HK\$'M
Profit on disposal of listed investments	—	0.1
Profit/(Loss) on sale of properties	(0.2)	8.9

8. Included in the Group's finance costs for the prior period was an amount of HK\$5.1 million representing the amortisation of loan costs.

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

	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2004 (Unaudited and restated) HK\$'M
Provision for tax in respect of profits for the period:		
Hong Kong	0.6	1.8
Overseas	—	0.1
Deferred tax income	—	(12.4)
Tax charge/(credit) for the period	0.6	(10.5)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2004 – 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.

No provision for tax is required for the jointly controlled entity in the prior period as no assessable profits were earned by the jointly controlled entity during that period.

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.

Share of tax credit attributable to the associates amounting to HK\$6.6 million (2004 – Nil) is included in "Share of profits less losses of associates" on the face of the Condensed Consolidated Profit and Loss Account.

10. The calculation of basic earnings per ordinary share is based on the profit attributable to equity holders of the parent for the period of HK\$144.1 million (2004 – HK\$37.8 million, as restated) and on the weighted average of 7,208.5 million (2004 – 4,568.5 million) ordinary shares of the Company in issue during the period.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2005 is based on the adjusted profit attributable to equity holders of the parent for the period of HK\$125.1 million and on the adjusted weighted average of 7,208.5 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 Regal group were converted into, and the subscription rights attaching to all outstanding warrants of the Regal group were exercised to subscribe for, ordinary shares of Regal at the beginning of the period. The conversion of the outstanding convertible preference shares of Regal is anti-dilutive for the period. In addition, the exercise prices of share options of the Company and Regal outstanding during the period are higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2004 was based on the adjusted profit attributable to equity holders of the parent for the prior period of HK\$37.7 million (as restated) and on the adjusted weighted average of 6,129.9 million ordinary shares of the Company that would have been in issue during the prior period assuming (i) all outstanding optional convertible bonds of the Regal group were converted into ordinary shares of Regal at the beginning of that period; and (ii) all the 1,990.0 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 Regal was anti-dilutive for that period. In addition, the exercise prices of share options of the Company and Regal outstanding during that period 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.

11. Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2005.

## 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, 2005, except that the roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals and the Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms. However, the Non-Executive Directors and the Independent Non-Executive Directors were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company. At the annual general meeting of the Company held on 16th June, 2005, all those Directors who had been in office for three years or more retired and were re-elected at that meeting.

## BOARD OF DIRECTORS

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

### Executive Directors:

Mr. LO Yuk Sui  
(Chairman and Managing Director)  
Mr. Donald FAN Tung  
Mr. Jimmy LO Chun To  
Mr. Kenneth NG Kwai Kai

### Non-Executive Director:

Mrs. Kitty LO LEE Kit Tai

### Independent Non-Executive Directors:

Mr. NG Siu Chan  
Hon Abraham SHEK Lai Him, JP  
Mr. WONG Chi Keung

By Order of the Board

**LO YUK SUI**  
Chairman

Hong Kong, 15th September, 2005