



(Stock Code: 617)

## 2006 INTERIM ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

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

\*as at 31st December, 2005

### REVIEW OF OPERATIONS

- For the six months ended 30th June, 2006, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$209.1 million, representing an increase of about 47.3% as compared with the HK\$142.0 million (as restated) recorded for the corresponding period in 2005.
- As at 30th June, 2006, the Group beneficially held approximately 45.6% of the issued ordinary shares of Regal Hotels International Holdings Limited, apart from certain holdings in its issued warrants and convertible preference shares. As explained before, Regal's hotel properties in Hong Kong have been stated at cost less accumulated depreciation and amortisation in its audited financial statements since 2005. Accordingly, the attributable share of the net assets of Regal reflected in the interests of the Group held in Regal has correspondingly been adjusted.
- In order to more fairly reflect the underlying net asset value of the Group, supplementary information on the Group's net assets position, compiled on a proforma basis that Regal were to state its five hotel properties in Hong Kong based on their aggregate independent professional valuations of HK\$14,500 million as at 31st December, 2005, is provided in the section headed "Management Discussion and Analysis" below.
- The Group owns a 30% interest in the joint venture development project at Ap Lei Chau Inland Lot No.129, comprising primarily residential accommodation having gross floor area of about 900,000 square feet together with ancillary retail, recreational and car parking facilities. The application to revise the flat mix of the proposed development, with a view to increasing the average size of the residential units to suit market demands, has been approved by the Town Planning Board. Site formation works for this project are in progress.
- The Group has decided to retain for rental income all the office floors with total gross floor area of about 60,900 square feet, and certain ground floor shops with total gross floor area of about 2,200 square feet, in the commercial building at 211 Johnston Road, Wanchai. Consequently, this property has been reclassified from property held for sale to investment property in the Condensed Consolidated Financial Statements herein presented. A fair value gain on this property has been reflected in the financial results for the period under review by reference to its independent professional market valuation as at 30th June, 2006. Progressively increasing rental rates have been achieved on new leaseings or tenancy renewals and, at present, nearly all of the units are leased.
- The Group has lately re-launched the marketing of part of its retained duplex units in the "Rainbow Lodge" residential development at 9 Ping Shan Lane, Yuen Long, New Territories and further units have since been sold.
- Each of the Group and Regal beneficially owns a 50% equity interest in a company which, in turn, holds a 59% interest in an investee company established in the PRC. The investee company has entered into the Land Grant Contracts for the Phase I land sites comprised in a comprehensive development project located at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, PRC and the related land premium payable under the Land Grant Contracts was fully settled in April 2006. The overall development project entails total permissible gross floor area of about 4,630,000 square feet, planned to comprise office, residential, hotel, commercial and carparking accommodations. While the requisite development and design plans are being revised, the investee company is actively working to secure its rights to the remaining land site comprised in the overall development project.
- The Group's building construction arm, Chatwin Engineering Limited, is taking steps to expand its business undertakings and has successfully secured new contracts in both the public housing estate sector as well as in the private sector. In addition, to support its core property businesses, the Group continues to operate profitably a wide range of property related services encompassing development consultancy comprising architectural, engineering and interior design services, project management, building services and estate management.
- For the six months ended 30th June, 2006, Regal achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$310.8 million, as compared with the profit of HK\$302.3 million for the corresponding period in 2005.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

### OUTLOOK

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

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

**STATEMENT OF PROFORMA NET ASSETS**

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

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

- As at 30th June, 2006, the Group's gross borrowings net of cash and bank balances amounted to HK\$67.7 million (31st December, 2005 – HK\$66.7 million). Gearing ratio based on total assets of HK\$3,781.0 million (31st December, 2005 – HK\$3,523.4 million) was 1.8% (31st December, 2005 – 1.9%). However, based on the proforma total assets of HK\$7,221.8 million as at 30th June, 2006 (31st December, 2005 – HK\$6,992.8 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 0.9% (31st December, 2005 – 1.0%).
- As the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.
- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 30th June, 2006 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2005 (the "2005 Annual Report"). During the period under review, the Company continued to adopt

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

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

**DIVIDEND**

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

**CLOSURE OF REGISTER**

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

**HALF YEAR RESULTS****Condensed Consolidated Income Statement**

	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited and restated) HK\$'M
REVENUE (Note 3)	86.1	30.1
Cost of sales	<u>(75.9)</u>	<u>(15.6)</u>
Gross profit	10.2	14.5
Other income and gains (Note 4)	5.8	12.7
Fair value gain upon reclassification of a property held for sale to an investment property	70.3	—
Administrative expenses	<u>(12.8)</u>	<u>(13.0)</u>
Other operating expenses, net (Note 5)	<u>(0.6)</u>	<u>(0.4)</u>
<b>OPERATING PROFIT (Note 3)</b>	<b>72.9</b>	13.8
Finance costs	<u>(4.6)</u>	<u>(6.8)</u>
Share of profits and losses of associates	<u>141.3</u>	<u>135.6</u>
<b>PROFIT BEFORE TAX</b>	<b>209.6</b>	142.6
Tax (Note 7)	<u>(0.5)</u>	<u>(0.6)</u>
<b>PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS</b>	<b><u>209.1</u></b>	<b><u>142.0</u></b>
Attributable to:		
Equity holders of the parent	209.1	142.0
Minority interests	<u>—</u>	<u>—</u>
	<b><u>209.1</u></b>	<b><u>142.0</u></b>
<b>EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)</b>		
Basic	<b><u>HK2.90 cents</u></b>	<b><u>HK1.97 cents</u></b>
Diluted	<b><u>HK2.63 cents</u></b>	<b><u>HK1.71 cents</u></b>
<b>DIVIDEND PER ORDINARY SHARE</b>	<b><u>HK0.15 cent</u></b>	<b><u>Nil</u></b>



## (b) Geographical segments

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

**Group**

	Hong Kong		Mainland China		Eliminations		Consolidated	
	Six months ended 30th June, 2006	Six months ended 30th June, 2005	Six months ended 30th June, 2006	Six months ended 30th June, 2005	Six months ended 30th June, 2006	Six months ended 30th June, 2005	Six months ended 30th June, 2006	Six months ended 30th June, 2005
	(Unaudited)							
	HK\$'M							
Segment revenue:								
Sales to external customers	86.0	30.0	0.1	0.1	—	—	86.1	30.1

## 4. Other income and gains represent the following items:

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

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

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

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

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

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

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

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

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

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

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2006 is based on the profit for the period attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the Regal group's earnings of HK\$18.3 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of the period. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 39.4 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 period. The conversion of the outstanding convertible preference shares of Regal is anti-dilutive for the period and is not included in the calculation of diluted earnings per ordinary share. In addition, the exercise price of the share options of Regal outstanding during the period is higher than the average market price of the ordinary shares of Regal and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2005 was based on the profit for that period (as restated) attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the Regal group's earnings of HK\$19.0 million and on the weighted average of 7,208.5 million ordinary shares of the Company in issue during the prior period assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of that period. The conversion of the outstanding convertible preference shares of Regal was anti-dilutive for that period and was not included in the calculation of diluted earnings per ordinary share. In addition, the exercise prices of the 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.

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

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

## Outstanding balances with ages:

Within 3 months	3.7	21.9
Between 4 to 6 months	—	0.5
Between 7 to 12 months	0.3	—
	<u>4.0</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.

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

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

## Outstanding balances with ages:

Within 3 months	1.7	5.1
Over 3 months	—	0.1
	<u>1.7</u>	<u>5.2</u>

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

## 11. Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2006.

**REVIEW OF RESULTS**

- The Group's condensed consolidated interim financial statements for the six months ended 30th June, 2006 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2006 to be despatched to shareholders.
- The Audit Committee has reviewed the Group's condensed consolidated interim financial statements for the six months ended 30th June, 2006, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

**CORPORATE GOVERNANCE**

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

have been put in place such that the Non-Executive Directors and the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

**BOARD OF DIRECTORS**

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

**Executive Directors:**

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

**Non-Executive Director:**

Mrs. Kitty LO LEE Kit Tai

**Independent Non-Executive Directors:**

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

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 18th September, 2006