

## 2007 INTERIM ANNOUNCEMENT

### Well-prepared for Long-term Growth

#### FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2007	Six months ended 30th June, 2006	% Change
	(Unaudited)	(Unaudited)	
	HK\$'M	HK\$'M	
<b>Revenue</b>	<b>221.0</b>	86.1	<b>+156.7%</b>
<b>Operating profit</b>	<b>79.1</b>	72.9	<b>+8.5%</b>
<b>Profit for the period attributable to equity holders of the parent</b>	<b>1,200.1</b>	209.1	<b>+473.9%</b>
<b>Basic earnings per ordinary share attributable to equity holders of the parent</b>	<b>HK16.65 cents</b>	HK2.90 cents	<b>+474.1%</b>
<b>Interim dividend</b>	<b>HK0.18 cent</b>	HK0.15 cent	<b>+20.0%</b>

## **FINANCIAL AND BUSINESS REVIEW**

### **FINANCIAL REVIEW**

- For the six months ended 30th June, 2007, the Group recorded an unaudited consolidated profit attributable to shareholders of HK\$1,200.1 million, representing an increase of more than 4.7 times over the comparative amount of HK\$209.1 million attained in the corresponding period in 2006. The profit increase was largely attributable to the share of profit from Regal Hotels International Holdings Limited, the Group's listed associate, which has increased significantly due to the gain derived by Regal from the spin-off of Regal Real Estate Investment Trust in March 2007.
- As at 30th June, 2007, Regal REIT was equity-accounted for by the Regal group as a 70.5% owned associate. Due to the elimination of the unrealised gain attributable to the interest retained by the Regal group in Regal REIT, the interest in Regal REIT was stated in the financial statements of the Regal group 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 Regal 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. This has in turn also affected the book net assets of the Group as at 30th June, 2007.
- 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 by Regal in Regal REIT as mentioned above, is provided in the section headed "Management Discussion and Analysis" below.

## **BUSINESS REVIEW**

### **PROPERTIES**

#### **Hong Kong**

- With a view to focusing resources on principal investments and property projects, the Group has during the period taken steps to dispose of some of its non-core assets.
- In March 2007, the Group completed the sale to Cosmopolitan International Holdings Limited, a listed company in Hong Kong, of the entire equity interests in the wholly-owned subsidiary that beneficially owns the 10 retained duplex units and unsold car parks in the completed residential development at Rainbow Lodge, 9 Ping Shan Lane, Yuen Long, New Territories at a consideration of HK\$70 million. The profit derived from this disposal has been reflected in the results for the period under review.
- Part of the consideration in the amount of HK\$56 million was settled by the Cosmopolitan group issuing to the Group convertible bonds that are convertible into 800 million new shares of Cosmopolitan at an initial conversion price of HK\$0.07 per share. In conjunction with the issue of such convertible bonds, the Group has granted to the Cosmopolitan group certain placement rights, exercisable by the Cosmopolitan group within 12 months from the date of issue, to procure potential investors to purchase part or all of the convertible bonds held by the Group. In case where the Group disposes of the convertible bonds pursuant to such placement rights or chooses to retain the convertible bonds after an offer has been so procured, the Group would account to Cosmopolitan 70% of the profit arising from the placement of such convertible bonds. The attributable fair value gain on 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.

- Further in June 2007, the Group completed the agreement for the sale of the entire equity interest in the wholly-owned subsidiary that beneficially owns the various parcels of land in Sharp Island, Sai Kung, New Territories, which were formerly held by the Group for future development purposes, at a consideration of HK\$50 million. The profit derived from this disposal has also been reflected in the results for the period under review.
- The Group has a 30% interest in the joint development project at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East. This development project entails primarily residential accommodation comprising luxury apartments together with ancillary retail areas, having total gross floor area of about 913,000 square feet, and complemented with recreational and car parking facilities. Site formation works have been completed and the piling works are in progress. As the supply of luxury apartments in Hong Kong within the next few years, particularly on the south side of the Hong Kong island, is relatively limited, the luxury residential apartments in this project are anticipated to be well received and in great demand.
- The ground floor shops and all the office floors in the commercial building at 211 Johnston Road, Wanchai, which are retained as investment properties, have virtually been fully leased and are yielding increasing rental income.

#### **The People's Republic of China**

- The development project in the Central Business District of Beijing, the People's Republic of China, is 59% owned by an associate which, in turn, is 50% each held by Regal and the Group. 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.

## **CONSTRUCTION AND BUILDING RELATED BUSINESSES**

- The Group's construction and building related businesses on the whole are progressing steadily and the Group's construction arm, Chatwin Engineering Limited, has secured additional construction contracts, both in the private and public sectors.

## **OTHER INVESTMENTS**

- Subsequent to the half year end date, the Group completed a share swap agreement with an independent third party, pursuant to which the Group acquired from that party 180 million existing issued shares of Cosmopolitan, representing approximately 11.3% of the issued share capital of Cosmopolitan, for a total consideration of HK\$126 million. The consideration was settled by the Company issuing to that party 336 million new shares, which was equivalent to an issue price of HK\$0.375 per share.
- The Cosmopolitan group is engaged in, among others, property business and is working on a number of proposed large scale property development projects in the PRC. The Directors believe that, through the investment in Cosmopolitan, the Group will be provided with opportunities to indirectly invest in and capitalise on the growing potential of the PRC real estate market as well as participating directly in some selective property development projects to be undertaken by the Cosmopolitan group.
- The investment in Regal represented the most significant investment of the Group and the Group has always intended to maintain a strategic controlling interest in Regal. In order to allow the Group to hedge against potential dilution in its shareholding interest in Regal that may result from the conversions of convertible securities issued by the Regal group, in April 2007, the Group acquired from independent third party vendors certain convertible bonds of the Regal group which were convertible into 500 million new ordinary shares of Regal. The total consideration of HK\$360 million was settled as to HK\$60 million in cash and the balance of HK\$300 million settled by way of promissory notes. Further information on this transaction was contained in the Discloseable Transaction circular dated 18th May, 2007 despatched to shareholders.

- All the convertible bonds issued by the Regal group, including those acquired by the Group, have since been fully converted and the Group has also exercised its entire holding of the share warrants of Regal, which expired in July 2007, into new ordinary shares of Regal. As at the date of this announcement, the Group held approximately 44.6% shareholding interest in the enlarged issued ordinary share capital of Regal.

#### **REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**

- For the six months ended 30th June, 2007, Regal 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.
- Further information on the principal business operations and outlook of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

#### **REGAL REAL ESTATE INVESTMENT TRUST**

- For the period from 11th December, 2006 (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 the acquisition of the five Regal Hotels from the Group at a discount to their market valuations.
- 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.

## **OUTLOOK**

- While the problems over the subprime loans in the United States have triggered off some adverse repercussions in the international financial and capital markets over the recent period, the scope and extent of such effects are yet to be ascertained. However, the Group remains optimistic of the outlook of the real estate market in Mainland China and is actively reviewing various acquisition proposals on potential development projects in this regard.
- The Group is well-prepared for long-term growth and, in the meanwhile, is also considering proposals with a view to strengthening the Group's asset and capital base, in preparation for its planned business expansion ahead.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

- Net cash inflow from operating activities during the period under review amounted to HK\$45.2 million (2006 – outflow of HK\$3.8 million). Net interest receipt for the period amounted to HK\$0.2 million (2006 – payment of HK\$1.8 million).
- In order to more fairly reflect the Group's underlying net asset value, 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 the Group's interest in Regal is adjusted to reflect its attributable share of Regal's proforma net assets as adjusted for Regal's interest in Regal REIT to reflect the share of the underlying net assets attributable to Regal based on Regal REIT's reported net assets attributable to its unitholders as at 30th June, 2007:

## Statement of Proforma Net Assets

	<b>30th June, 2007</b>
	<b>(Unaudited)</b>
	<b>HK\$'M</b>
Non-current assets	
Interests in Regal	5,349.8
Interests in other associates	625.8
Other non-current assets	539.1
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Total non-current assets	6,514.7
Net current liabilities	(397.8)
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Total assets less current liabilities	6,116.9
Non-current liabilities	(58.7)
Minority interests	(0.2)
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Proforma net assets attributable to equity holders of the parent	6,058.0
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Proforma net asset value per ordinary share	HK\$0.84
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- As at 30th June, 2007, the Group's gross borrowings net of cash and bank balances amounted to HK\$406.5 million (31st December, 2006 – HK\$112.1 million). Gearing ratio based on total assets of HK\$5,410.7 million (31st December, 2006 – HK\$3,958.0 million) was 7.5% (31st December, 2006 – 2.8%).
- During the period under review, as the Group's borrowings were all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed.

- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 30th June, 2007 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2006 (the “2006 Annual Report”). During the period under review, the Group continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company’s 2006 Annual Report. Detailed information in such aspects 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.
- The Group’s significant investments during the period principally constituted its interests held in Regal. The significant investments of Regal following the spin-off of the Regal REIT on 30th March, 2007 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 Regal and its 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 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 HK0.18 cent per ordinary share for the financial year ending 31st December, 2007 (2006 – HK0.15 cent), absorbing a total amount of approximately HK\$13.6 million (2006 – HK\$10.8 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, Tricor Tengis 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)	221.0	86.1
Cost of sales	(170.5)	(75.9)
Gross profit	<u>50.5</u>	<u>10.2</u>
Other income and gains (Note 3)	114.0	5.8
Fair value gain upon reclassification of a property held for sale to an investment property	–	70.3
Administrative expenses	(14.1)	(12.8)
Other operating expenses, net (Note 4)	(71.3)	(0.6)
OPERATING PROFIT (Note 2)	<u>79.1</u>	<u>72.9</u>
Finance costs	(8.8)	(4.6)
Share of profits and losses of associates	1,130.7	141.3
PROFIT BEFORE TAX	<u>1,201.0</u>	<u>209.6</u>
Tax (Note 6)	(0.9)	(0.5)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	<u>1,200.1</u>	<u>209.1</u>
Attributable to:		
Equity holders of the parent	1,200.1	209.1
Minority interests	–	–
	<u>1,200.1</u>	<u>209.1</u>
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		
Basic	<u>HK16.65 cents</u>	<u>HK2.90 cents</u>
Diluted	<u>HK14.93 cents</u>	<u>HK2.63 cents</u>
DIVIDEND PER ORDINARY SHARE	<u>HK0.18 cent</u>	<u>HK0.15 cent</u>

## Condensed Consolidated Balance Sheet

	30th June, 2007 (Unaudited) HK\$'M	31st December, 2006 (Audited) HK\$'M
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3.6	4.0
Investment properties	350.3	350.3
Property held for future development	–	26.7
Interests in associates	4,341.7	2,980.6
Available-for-sale equity investments	32.0	34.7
Financial asset at fair value through profit or loss	141.3	–
Loans receivable	11.9	14.3
Total non-current assets	<u>4,880.8</u>	<u>3,410.6</u>
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	–	19.1
Properties held for sale	6.0	38.7
Inventories	8.5	6.9
Debtors, deposits and prepayments (Note 8)	125.0	87.0
Time deposits	127.1	129.3
Cash and bank balances	13.9	17.0
	<u>280.5</u>	<u>298.0</u>
Asset of a disposal group classified as held for sale	249.4	249.4
Total current assets	<u>529.9</u>	<u>547.4</u>

## Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2007 (Unaudited) HK\$'M	31st December, 2006 (Audited) HK\$'M
<b>CURRENT LIABILITIES</b>		
Creditors and accruals (Note 9)	(106.6)	(98.0)
Tax payable	(3.7)	(2.8)
Promissory notes payable	(300.0)	–
Interest bearing bank and other borrowings	(197.5)	(10.3)
Deposits received	(221.0)	(220.3)
	<u>(828.8)</u>	<u>(331.4)</u>
Liability directly associated with the asset of a disposal group classified as held for sale	(98.9)	(98.9)
	<u>(927.7)</u>	<u>(430.3)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>(397.8)</b>	117.1
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,483.0</b>	3,527.7
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing bank borrowings	(50.0)	(248.1)
Deferred tax liabilities	(8.7)	(8.7)
	<u>(58.7)</u>	<u>(256.8)</u>
<b>Total non-current liabilities</b>	<b>(58.7)</b>	<b>(256.8)</b>
<b>Net assets</b>	<b>4,424.3</b>	3,270.9
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	72.1	72.1
Reserves	4,338.4	3,177.0
Dividends	13.6	21.6
	<u>4,424.1</u>	<u>3,270.7</u>
<b>Minority interests</b>	<b>0.2</b>	0.2
	<u>0.2</u>	<u>0.2</u>
<b>Total equity</b>	<b>4,424.3</b>	3,270.9

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 property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel ownership/operation and management segment engages in hotel operations and the provision of hotel management services;
- (d) the securities investment segment engages in securities trading and investment businesses; and
- (e) the others segment mainly comprises the provision of financing services.

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

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/ operation and management		Securities 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		Six months ended 30th June, 2007		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	
Segment revenue:															
Sales to external customers	77.5	6.0	124.8	49.8	-	-	18.7	30.3	-	-	-	-	221.0	86.1	
Intersegment sales	-	-	-	1.0	-	-	-	-	-	-	-	(1.0)	-	-	
Total	<u>77.5</u>	<u>6.0</u>	<u>124.8</u>	<u>50.8</u>	<u>-</u>	<u>-</u>	<u>18.7</u>	<u>30.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.0)</u>	<u>221.0</u>	<u>86.1</u>	
Segment results	<u>65.7</u>	<u>72.7</u>	<u>7.4</u>	<u>4.1</u>	<u>-</u>	<u>-</u>	<u>84.9</u>	<u>2.9</u>	<u>0.8</u>	<u>1.1</u>	<u>(0.9)</u>	<u>-</u>	<u>157.9</u>	<u>80.8</u>	
Interest income and unallocated non-operating and corporate gains													3.9	3.9	
Unallocated non-operating and corporate expenses													(82.7)	(11.8)	
Operating profit													79.1	72.9	
Finance costs													(8.8)	(4.6)	
Share of profits and losses of associates	(0.3)	(0.6)	(0.2)	-	1,131.2	141.9	-	-	-	-	-	-	1,130.7	141.3	
Profit before tax													1,201.0	209.6	
Tax													(0.9)	(0.5)	
Profit for the period before allocation between equity holders of the parent and minority interests													<u>1,200.1</u>	<u>209.1</u>	
Attributable to:															
Equity holders of the parent													1,200.1	209.1	
Minority interests													-	-	
													<u>1,200.1</u>	<u>209.1</u>	

(b) Geographical segments

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

**Group**

	<b>Hong Kong</b>		<b>Mainland China</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>Six months ended 30th June,</b>		<b>Six months ended 30th June,</b>		<b>Six months ended 30th June,</b>		<b>Six months ended 30th June,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>
	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>
Segment revenue:								
Sales to external customers	220.9	86.0	0.1	0.1	-	-	221.0	86.1

3. Other income and gains represent the following items:

	<b>Six months ended 30th June, 2007</b>	<b>Six months ended 30th June, 2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interest income	3.9	3.5
Fair value gains on financial assets at fair value through profit or loss	85.3	0.3
Gain on disposal of subsidiaries	23.2	–
Gain on deemed disposal of interests in the listed associate	–	1.4
Others	1.6	0.6
	<u>114.0</u>	<u>5.8</u>

4. Other operating expenses, net, include the following major items:

	<b>Six months ended 30th June, 2007</b>	<b>Six months ended 30th June, 2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Depreciation	0.7	0.6
Loss on deemed disposal of interests in the listed associate	69.9	–
	<u>69.9</u>	<u>–</u>

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

	<b>Six months ended 30th June, 2007 (Unaudited) HK\$'M</b>	<b>Six months ended 30th June, 2006 (Unaudited) HK\$'M</b>
Profit on disposal of listed investments	<b>0.3</b>	2.5
Profit on disposal of properties	<b>37.1</b>	–
	<hr/>	<hr/>

6. The tax charge for the period arose as follows:

	<b>Six months ended 30th June, 2007 (Unaudited) HK\$'M</b>	<b>Six months ended 30th June, 2006 (Unaudited) HK\$'M</b>
Current – Hong Kong Provision for tax in respect of profits for the period	<b>0.9</b>	0.4
Current – Overseas Underprovision in prior periods	–	0.1
	<hr/>	<hr/>
Total tax charge for the period	<b>0.9</b>	0.5
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The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2006 – 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

The share of tax charge attributable to associates amounting to HK\$5.5 million (2006 – tax credit of HK\$1.5 million) is included in “Share of profits and losses of associates” on the face of the condensed consolidated income statement.

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\$1,200.1 million (2006 – HK\$209.1 million) and on the weighted average of 7,208.5 million (2006 – 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, 2007 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 earnings of Regal group of HK\$109.0 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group and all outstanding convertible preference shares of Regal 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 101.4 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 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, 2006 was based on the profit for that 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 that period. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue during that period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 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 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 price of the share options of Regal outstanding during that period was higher than the average market price of the ordinary shares of Regal 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\$38.4 million (31st December, 2006 – HK\$18.4 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	<b>30th June, 2007</b>	<b>31st December, 2006</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>37.9</b>	18.3
Between 4 to 6 months	<b>0.1</b>	0.1
Between 7 to 12 months	<b>0.4</b>	–
	<hr/> <b>38.4</b> <hr/>	<hr/> 18.4 <hr/>

### **Credit terms**

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

9. Included in creditors and accruals is an amount of HK\$17.6 million (31st December, 2006 – HK\$7.5 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	<b>30th June, 2007</b>	<b>31st December, 2006</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>17.3</b>	7.4
Between 4 to 6 months	<b>0.3</b>	0.1
	<hr/> <b>17.6</b> <hr/>	<hr/> 7.5 <hr/>

The trade creditors are non-interest bearing and are normally settled within 90 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 Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Independent Non-Executive Directors would retire, and are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

## **BOARD OF DIRECTORS**

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

***Executive Directors:***

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

***Independent Non-Executive Directors:***

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

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 27th August, 2007