

## 2008 INTERIM ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2008	Six months ended 30th June, 2007
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
<b>Revenue</b>	<b>150.0</b>	221.0
<b>Operating profit</b>	<b>34.2</b>	79.1
<b>Profit for the period attributable to equity holders of the parent</b>	<b>305.1</b>	1,200.1*
<b>Basic earnings per ordinary share attributable to equity holders of the parent</b>	<b>HK2.99 cents</b>	HK14.92 cents <sup>^</sup>
<b>Interim dividend</b>	<b>HK0.18 cent</b>	HK0.18 cent

\*a significant part of this amount was attributable to a one-off gain derived by Regal, the Group's listed associate, from the spin-off of Regal REIT in March 2007

<sup>^</sup>restated to reflect the effect of the Open Offer in November 2007

## **FINANCIAL RESULTS**

For the six months ended 30th June, 2008, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$305.1 million. In the comparative period in 2007, the Group recorded a profit of HK\$1,200.1 million, a significant part of which was attributable to a one-off gain derived by Regal Hotels International Holdings Limited, the Group's listed associate, from the spin-off of Regal Real Estate Investment Trust in March 2007.

## **REVIEW OF OPERATIONS**

### **PROPERTIES**

#### **Hong Kong**

The joint venture project at Ap Lei Chau Inland Lot No. 129, in which the Group has a 30% interest, comprises primarily residential development providing luxury apartments together with ancillary retail areas with total gross floor area of about 913,000 square feet, complemented with recreational and car parking facilities. The foundation works on the site have been substantially completed.

The ground floor shops and all the office floors in the commercial building at 211 Johnston Road, Wanchai, held by the Group as investment properties, are generating satisfactory rental revenues.

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

The joint venture development project in Beijing, situated in a very prominent location within the Central Business District, is held through a Sino-foreign joint venture entity that is 59% owned by an associate which, in turn, is 50% each held by Regal and the Group. The Sino-foreign joint venture entity beneficially owns the Phase I land, which is a vacant and leveled site, and is now actively working to secure the primary development rights for the Phase II land site.

## **CONSTRUCTION AND BUILDING RELATED BUSINESSES**

The construction business is operated through Chatwin Engineering Limited, the Group's wholly-owned construction arm. The construction contract awarded to Chatwin by the Housing Authority for the Redevelopment of Sau Mau Ping Estate Phases 13 & 16, comprising 2 blocks with a total of about 1,600 units, is expected to be completed in early 2009. In the meantime, Chatwin is undertaking the extension works for the Regal Riverside Hotel in Shatin involving the construction, fitting out and decoration of three additional stories on top of the existing hotel building.

In addition, the Group also operates a comprehensive range of building related businesses, including development consultancy comprising architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security systems and services. The businesses are operating satisfactorily, with increased profits attained in the period under review.

## **OTHER INVESTMENTS**

In February 2008, the Group completed the subscription agreement for the subscription of zero coupon guaranteed convertible bonds due 2013 in a principal amount of HK\$100 million issued by a wholly-owned subsidiary of Cosmopolitan International Holdings Limited and was also granted an option to subscribe on same terms for an additional principal amount of up to HK\$100 million of such convertible bonds. These convertible bonds due 2013 are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.6 per share (subject to adjustments) and carry a redemption yield of 5% per annum.

In conjunction with the sale of the retained duplex units and car parks in the completed residential development at Rainbow Lodge in Yuen Long, New Territories in March 2007, the Group received certain convertible bonds due 2009 in a principal amount of HK\$56 million issued by the Cosmopolitan group as settlement of part of the sale consideration. These convertible bonds due 2009 are convertible into new ordinary shares of Cosmopolitan at an initial conversion price of HK\$0.07 per share (subject to adjustments). As part of the terms for the issue of these convertible bonds due 2009, the Group granted to the Cosmopolitan group

certain placement rights entitling it to share in 70% of the profits that may arise from any offers procured by it for the purchase of such convertible bonds.

After the half-year end date, in August 2008, the Group completed an agreement with the Cosmopolitan group, pursuant to which the Group disposed of part of the convertible bonds due 2009 in a principal amount of HK\$11 million to a third party investor procured by the Cosmopolitan group at a consideration of approximately HK\$79 million, equivalent to an effective purchase price of HK\$0.5 per Cosmopolitan share. Under that agreement, the parties have further agreed to discharge and release part of the convertible bonds due 2009 continuing to be held by the Group in a principal amount of HK\$7 million from the placement rights at a consideration of approximately HK\$30 million, also equivalent to an effective price HK\$0.5 per Cosmopolitan share, and to extend the exercise period of the placement rights over the remaining convertible bonds due 2009 in the principal amount of HK\$38 million to 13th February, 2009.

Taking together all the interests held in the ordinary shares and convertible bonds of Cosmopolitan and assuming that the remaining convertible bonds due 2009 in the principal amount of HK\$38 million currently subject to the placement rights are beneficially retained and converted by the Group, the Group can hold up to approximately 28.2% of Cosmopolitan on a fully-diluted basis, assuming that all the outstanding convertible bonds and options on shares and convertible bonds granted by the Cosmopolitan group are fully converted and exercised. At the same time, the Regal group also holds substantial interests in the securities of Cosmopolitan and on the same fully-diluted basis, the Regal group can hold up to approximately 26.5% of the enlarged shareholding of Cosmopolitan.

Apart from its joint venture with the Regal group on the development project in Xindu District in Chengdu, Sichuan Province, the Cosmopolitan group is itself engaged in a number of other major property projects in Mainland China. In May 2008, it completed the acquisition of a 60% equity interest in a joint venture company which is undertaking a large scale re-forestation and landscaping project in Urumqi City in Xinjiang. Under the re-forestation scheme, the joint venture company is entitled to be granted, in return for the ecological improvement works performed, land use rights for 30% of the land involved for development use, free of any payment of land premium. Furthermore, the Cosmopolitan group has also entered into a letter of intent in May 2008 for a cultural-themed multi-use real estate development project in Taiyuan

City in Shanxi Province and, more recently, a co-operative letter of intent with respect to primary development works for a composite development project in the Dalian High-Tech Industrial Zone in Dalian City, Liaoning Province.

Both Regal and the Group are positive on the long-term prospects on the real estate market in the PRC and believe that the strategic investments made in the Cosmopolitan group will enable them to share in its growth potential. On the other hand, this will also create a platform for future business collaboration among the groups on the development projects undertaken by Cosmopolitan group, which can in turn facilitate future business expansion at different levels.

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

For the six months ended 30th June, 2008, Regal achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$600.1 million.

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 six months ended 30th June, 2008, Regal REIT attained an unaudited consolidated profit of HK\$278.3 million. Distributable income available for distribution to unitholders of Regal REIT amounted to HK\$247.4 million and, based on a policy of distributing 100% of the distributable income, a distribution of HK\$0.083 per unit will be paid to unitholders for the period ended 30th June, 2008.

Further information on the principal business operations and outlook of Regal REIT, including its management discussion and analysis, was contained in Regal REIT's announcement released on 25th August, 2008.

## **OUTLOOK**

The core strategic investment held in Regal is contributing to the Group increasing value and returns. The Group has high expectation on the two joint venture development projects situated in Ap Lei Chau, Hong Kong and in the Central Business District of Beijing, respectively and is optimistic that these projects will generate significant profits to the Group when they are completed. With a view to diversifying its investments, the Group has in the meanwhile invested into the Cosmopolitan group, which is actively expanding its property development business in Mainland China. The Group is optimistic of the medium to long term prospects of the property market in the PRC and believes that the investment in the Cosmopolitan group has substantial potential for future capital appreciation.

Though the overall economic outlook in the near term might be uncertain, the Directors are confident that the Group will be able to sustain steady growth.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the period under review, net cash outflow from operating activities amounted to HK\$48.3 million (2007 – inflow of HK\$45.2 million). Net interest receipt for the period amounted to HK\$1.5 million (2007 – HK\$0.2 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 for the purpose of reference, 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, 2008:

## Statement of Proforma Net Assets

	<b>30th June, 2008</b>
	<b>(Unaudited)</b>
	<b>HK\$'M</b>
Non-current assets	
Interest in Regal	5,867.3
Interests in other associates	648.5
Other non-current assets	682.3
	<hr/>
Total non-current assets	7,198.1
Net current assets	351.7
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Total assets less current liabilities	7,549.8
Non-current liabilities	(228.7)
Minority interests	(0.2)
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Proforma net assets attributable to equity holders of the parent	7,320.9
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Proforma net asset value per ordinary share	HK\$0.72
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As at 30th June, 2008, the Group had cash and bank balances net of borrowings of HK\$11.3 million (31st December, 2007 – HK\$154.9 million).

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 during the period under review.

Information in relation to the pledge of assets and the contingent liabilities of the Group as of 30th June, 2008 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2007 (the “2007 Annual Report”) while the maturity of the relevant outstanding bank borrowings has been extended to 2011. During the period under review, the Group continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company’s 2007 Annual Report. Detailed information in such aspects is contained in the interim report of the Company for the six months ended 30th June, 2008.

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 during the period principally constituted its interests in Regal. The significant investments of Regal comprise its interests in the operation and management of the five Regal Hotels in Hong Kong, the investment in Regal REIT (which directly owns the five Regal Hotels in Hong Kong), the asset management of Regal REIT, the interest in the remaining unsold houses in Regalia Bay in Stanley 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, the progress and prospects on the Regalia Bay properties as well as the performance of Regal REIT are contained in Regal’s announcement separately released today.

## **DIVIDEND**

The Directors have declared the payment of an interim dividend of HK0.18 cent per ordinary share for the financial year ending 31st December, 2008 (2007 – HK0.18 cent), absorbing an amount of approximately HK\$18.3 million (2007 – HK\$13.6 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 10th October, 2008.

## **CLOSURE OF REGISTER**

The Register of Ordinary Shareholders will be closed from Wednesday, 8th October, 2008 to Friday, 10th October, 2008, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to qualify for the interim dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2010 warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:00 p.m. on Monday, 6th October, 2008. The relevant dividend warrants are expected to be despatched on or about 22nd October, 2008.

## HALF YEAR RESULTS

### Condensed Consolidated Income Statement

	Six months ended 30th June, 2008	Six months ended 30th June, 2007
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
REVENUE (Note 2)	150.0	221.0
Cost of sales	(133.8)	(170.5)
Gross profit	16.2	50.5
Other income and gains (Note 3)	33.6	114.0
Administrative expenses	(15.1)	(14.1)
Other operating expenses, net (Note 4)	(0.5)	(71.3)
OPERATING PROFIT (Note 2)	34.2	79.1
Finance costs	(2.8)	(8.8)
Share of profits and losses of associates	274.2	1,130.7
PROFIT BEFORE TAX	305.6	1,201.0
Tax (Note 6)	(0.5)	(0.9)
PROFIT FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	305.1	1,200.1
Attributable to:		
Equity holders of the parent	305.1	1,200.1
Minority interests	–	–
	305.1	1,200.1
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		(Restated)
Basic	HK2.99 cents	HK14.92 cents
		(Restated)
Diluted	HK2.97 cents	HK13.36 cents
DIVIDEND PER ORDINARY SHARE	HK0.18 cent	HK0.18 cent

## Condensed Consolidated Balance Sheet

	<b>30th June, 2008</b>	<b>31st December, 2007</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2.4	3.0
Investment properties	380.3	380.3
Interests in associates	4,829.5	4,550.0
Available-for-sale investments	9.8	10.0
Financial assets at fair value through profit or loss	282.5	308.5
Loans receivable	7.3	9.7
Total non-current assets	<b>5,511.8</b>	<b>5,261.5</b>
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	160.9	0.3
Properties held for sale	6.0	6.0
Inventories	6.4	3.7
Debtors, deposits and prepayments (Note 8)	99.9	75.7
Time deposits	156.1	330.2
Cash and bank balances	72.9	71.7
	<b>502.2</b>	<b>487.6</b>
Asset of a disposal group classified as held for sale	249.4	249.4
Total current assets	<b>751.6</b>	<b>737.0</b>

**Condensed Consolidated Balance Sheet (Cont'd)**

	<b>30th June, 2008</b>	<b>31st December, 2007</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<b>CURRENT LIABILITIES</b>		
Creditors and accruals (Note 9)	<b>(75.4)</b>	(93.5)
Tax payable	<b>(4.4)</b>	(4.0)
Interest bearing bank borrowings	–	(197.0)
Deposits received	<b>(221.2)</b>	(221.3)
	<b>(301.0)</b>	(515.8)
Liability directly associated with the asset of a disposal group classified as held for sale	<b>(98.9)</b>	(98.9)
Total current liabilities	<b>(399.9)</b>	(614.7)
<b>NET CURRENT ASSETS</b>	<b>351.7</b>	122.3
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>5,863.5</b>	5,383.8
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing bank borrowings	<b>(217.7)</b>	(50.0)
Deferred tax liabilities	<b>(11.0)</b>	(11.0)
Total non-current liabilities	<b>(228.7)</b>	(61.0)
Net assets	<b>5,634.8</b>	5,322.8
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	<b>101.9</b>	101.9
Reserves	<b>5,514.4</b>	5,179.9
Dividends	<b>18.3</b>	40.8
	<b>5,634.6</b>	5,322.6
<b>Minority interests</b>	<b>0.2</b>	0.2
Total equity	<b>5,634.8</b>	5,322.8

Notes:

## 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard 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, 2007, except for the adoption of the following new and revised interpretations issued by the Hong Kong Institute of Certified Public Accountants for the first time for the current period’s condensed consolidated interim financial statements.

HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of the above interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

## 2. SEGMENT INFORMATION

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.

\* The listed associate of the Group, Regal, owned and operated its hotels in Hong Kong until the disposal of the hotel properties to Regal REIT for a separate listing on 30th March, 2007 and thereafter the Regal group leased the hotel properties from Regal REIT for hotel operations. Regal REIT has since then become an associate of Regal.

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.

## 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, 2008	Six months ended 30th June, 2007	Six months ended 30th June, 2008	Six months ended 30th June, 2007	Six months ended 30th June, 2008	Six months ended 30th June, 2007	Six months ended 30th June, 2008	Six months ended 30th June, 2007	Six months ended 30th June, 2008	Six months ended 30th June, 2007	Six months ended 30th June, 2008	Six months ended 30th June, 2007	Six months ended 30th June, 2008	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	8.1	77.5	124.7	124.8	-	-	17.2	18.7	-	-	-	-	150.0	221.0
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	8.1	77.5	124.7	124.8	-	-	17.2	18.7	-	-	-	-	150.0	221.0
Segment results	5.7	65.7	8.7	7.4	-	-	30.9	84.9	1.3	0.8	-	(0.9)	46.6	157.9
Interest income and unallocated non-operating and corporate gains													2.6	3.9
Unallocated non-operating and corporate expenses													(15.0)	(82.7)
Operating profit													34.2	79.1
Finance costs													(2.8)	(8.8)
Share of profits and losses of associates	(3.1)	(0.3)	-	(0.2)	277.3	1,131.2	-	-	-	-	-	-	274.2	1,130.7
Profit before tax													305.6	1,201.0
Tax													(0.5)	(0.9)
Profit for the period before allocation between equity holders of the parent and minority interests													305.1	1,200.1
Attributable to:														
Equity holders of the parent													305.1	1,200.1
Minority interests													-	-
													305.1	1,200.1

3. Other income and gains represent the following items:

	<b>Six months ended 30th June, 2008</b>	<b>Six months ended 30th June, 2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interest income	<b>3.9</b>	3.9
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		
- held for trading	<b>(0.2)</b>	–
- designated as such upon initial recognition	<b>29.8</b>	85.3
Gain on disposal of subsidiaries	–	23.2
Others	<b>0.1</b>	1.6
	<b>33.6</b>	114.0

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

	<b>Six months ended 30th June, 2008</b>	<b>Six months ended 30th June, 2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Depreciation	<b>0.7</b>	0.7
Loss on deemed disposal of interests in the listed associate	–	69.9

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

	<b>Six months ended 30th June, 2008</b>	<b>Six months ended 30th June, 2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Profit on disposal of listed investments	<b>0.3</b>	0.3
Profit on sale of properties	–	37.1

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

	<b>Six months ended 30th June, 2008</b>	<b>Six months ended 30th June, 2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Current – Hong Kong		
Total tax charge and provision for tax in respect of profit for the period	<b>0.5</b>	<b>0.9</b>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2007 – 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\$0.3 million (2007 – HK\$5.5 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\$305.1 million (2007 – HK\$1,200.1 million) and on the weighted average of 10,190.8 million (2007 – 8,044.7 million, as restated to adjust for the effect of the open offer of new ordinary shares to the qualifying shareholders of the Company on the basis of seven new ordinary shares (with three new bonus warrants for every seven open offer shares taken up) for every twenty existing ordinary shares held on 22nd October, 2007 at a subscription price of HK\$0.21 per share (the “Open Offer”)) ordinary shares of the Company in issue during the period.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2008 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 the Regal group of HK\$1.3 million assuming all outstanding convertible preference shares of Regal were converted into 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 51.3 million that would be issued at no consideration assuming all outstanding share options and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of 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, 2007 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 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 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 (as restated to adjust for the effect of the Open Offer) during that period, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 123.8 million (as restated to adjust for the effect of the Open Offer) 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 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\$36.2 million (31st December, 2007 – HK\$34.9 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, 2008</b>	<b>31st December, 2007</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>36.1</b>	<b>34.2</b>
Between 4 to 6 months	<b>0.1</b>	<b>0.8</b>
Between 7 to 12 months	–	<b>0.1</b>
	<hr/> <b>36.2</b>	<hr/> <b>35.1</b>
Impairment	–	<b>(0.2)</b>
	<hr/> <b>36.2</b> <hr/>	<hr/> <b>34.9</b> <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\$5.3 million (31st December, 2007 – HK\$14.4 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, 2008</b>	<b>31st December, 2007</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>5.3</b>	<b>14.4</b>

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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, 2008.

## **REVIEW OF RESULTS**

The Group's condensed consolidated interim financial statements for the six months ended 30th June, 2008 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, 2008 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, 2008, 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, 2008, 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.

## **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement a consolidation of the ordinary shares of the Company on the basis that every 10 issued and unissued ordinary shares of HK\$0.01 each will be consolidated into one consolidated ordinary share of HK\$0.10. A special general meeting of the Company will be held to consider and, if thought fit, approve the ordinary resolution in respect of the proposed share consolidation. Further details relating to the proposed share consolidation are disclosed in the related announcement of the Company being released separately today.

## **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. Bowen Joseph LEUNG Po Wing, GBS, JP  
Mr. NG Siu Chan  
Hon Abraham SHEK Lai Him, SBS, JP  
Mr. WONG Chi Keung

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 10th September, 2008