

## 2006 INTERIM ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	% Change
<b>Revenue</b>	<b>608.3</b>	542.4	<b>+12.1%</b>
<b>Net hotel and management income</b>	<b>289.1</b>	230.6	<b>+25.4%</b>
<b>Operating profit before depreciation and amortisation</b>	<b>294.2</b>	290.7	<b>+1.2%</b>
<b>Depreciation and amortisation</b>	<b>68.0</b>	64.9	<b>+4.8%</b>
<b>Operating profit</b>	<b>226.2</b>	225.8	<b>+0.18%</b>
<b>Profit for the period attributable to equity holders of the parent</b>	<b>310.8</b>	302.3	<b>+2.8%</b>
<b>Basic earnings per ordinary share attributable to equity holders of the parent</b>	<b>HK3.7 cents</b>	HK3.6 cents	<b>+2.8%</b>
<b>Proforma net asset value per ordinary share</b>	<b>HK\$1.49*</b>	HK\$1.47*#	<b>+1.4%</b>
<b>Interim dividend</b>	<b>HK0.25 cent</b>	HK0.25 cent	—

\* based on market valuation of hotels as at 31st December, 2005

# as at 31st December, 2005

### REVIEW OF OPERATIONS

- For the six months ended 30th June, 2006, the Group 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.
- The results achieved by the Group for the period under review are considered to be satisfactory, particularly as the profit attained by the core hotel operations of the Group was able to grow by about 25.4% over the same period last year. Due to the increased interest rates prevailing during the current period, the higher income from securities investments as well as the business interruption insurance compensation recorded in the prior comparative period, the growth in the overall profits achieved was affected when compared on year-on-year basis, though this was to certain extent compensated by the increased contribution from the Regalia Bay development.
- As explained before, the Group's hotel properties in Hong Kong are now stated in the Condensed Consolidated Financial Statements herein presented at costs less accumulated depreciation and amortisation. In order to present a fair view of the net asset value of the Group, supplementary information on the Group's net assets position, compiled on a proforma basis to adjust for the aggregate independent professional market valuations of these hotel properties of HK\$14,500 million as at 31st December, 2005, is also provided in the section headed "Management Discussion and Analysis" below.
- In the first six months of 2006, there were a total of approximately 12.2 million visitor arrivals to Hong Kong, representing an increase of about 11.1% as compared with the same period last year. Benefiting from the Individual Visitor Scheme, visitors from mainland China also increased by about 14% to over 6.7 million, accounting for about 55% of the total visitors to Hong Kong during the period. Based on the information published by the Hong Kong Tourism Board, the average occupancy rate for all the surveyed hotels in Hong Kong during this six month period was about 86%, corresponding to an increase of about 3.6% over that recorded in the first half of 2005, while the average achieved room rate has over the same comparative period gained by about 16.2%.
- Partly affected by the works being carried out at some of the hotels on renovation of rooms as well as for the asset enhancement programme as referred to below, the combined average room occupancy for the five Regal Hotels in Hong Kong during the first six months under review was about 2.2% marginally below the level attained in the first half of 2005, but the combined average room rate has improved by 15.5%. While the Regal Airport Hotel is continuing to catch up on its room occupancy, the other four Regal Hotels in Hong Kong are operating steadily at a level of about 90%.
- Total hotel profits (including management fees and rental income) for the period amounted to HK\$289.1 million, representing an increase of about 25.4% above the corresponding figure attained last year. Over the same comparative period, the gross operating profit margin of the Group's hotel operations in Hong Kong also improved from 45% in 2005 to 50% in the current year.
- Extensive renovation and upgrading works have been carried out progressively at the five Regal Hotels in Hong Kong in recent years to enhance their quality and facilities, and these have enabled them to achieve increasing room rates without affecting market competitiveness. To cater to the growing business from the conventions and exhibitions market,

particularly after the opening of the Asia World-Expo convention center at the Hong Kong International Airport in December last year, the Regal Airport Hotel has recently completed the conversion of a portion of the basement floor into an Executive Conference Center comprising 13 new state-of-the-art meeting and conference rooms, as well as the renovation of 21 hotel rooms to be fitted with spa facilities.

- The asset enhancement programme planned at four Regal Hotels in Hong Kong (other than Regal Kowloon Hotel) will add, in stages, an aggregate of 461 additional hotel rooms, boasting the total room count of the hotels owned by the Group in Hong Kong to over 3,800. The asset enhancement programme for the addition of 274 hotel rooms in Regal Riverside Hotel in the three additional floors to be added on top of the existing building structure is aimed to be completed before the holding of the Olympic Equestrian Events to be held in Shatin in August 2008, subject to agreement being able to be concluded with the government in the near future on the amount of applicable land premium payable. All the other portions of the asset enhancement programme are scheduled to be completed before the end of the third quarter of 2007.
- The Group views the PRC market as critically important within its overall business development plans and intends to expand its hotel network to other selected cities in mainland China when appropriate opportunities arise.
- The Group and Paliburg Holdings Limited each 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.
- During the interim period under review, the jointly controlled entity that owns the Regalia Bay development in Stanley, Hong Kong contributed a profit of HK\$217.1 million (2005 - HK\$140.6 million) to the Group from a write back of provision. Although the volume of transactions in the high-end luxury residential market in Hong Kong has slowed down recently, the Group remains optimistic of the future of this segment of the property market. Pending the revival of an active market, certain house units have in the meanwhile been leased out at satisfactory rental yield.
- Subsequent to the half year end date, the Group disposed of in August 2006 its equity investments held in a listed company for an aggregate consideration of approximately HK\$195 million and the gain arising from such disposal will be reflected in the results for the full year ending 31st December, 2006.

### OUTLOOK

- Business at the five Regal Hotels in Hong Kong continued to operate satisfactorily during the past two months. As the last quarter is traditionally the high season of the year, the Directors believe that the operating results of the Group's hotels in Hong Kong in the second half of 2006 should be even more encouraging than those achieved in the first six months under review.

P.2 (Regal Hotels)

- The government is committed to maintaining Hong Kong as the most important hub and gateway in the region for both international as well as mainland Chinese travelers. Apart from the various major facilities that have been or are being built out in the airport area, such as the Asia World-Expo, the SkyMart and the passenger ferry terminal, the Airport Authority is planning to further upgrade and expand the Hong Kong International Airport, in anticipation of the steadily increasing passenger traffic at the airport. In addition, the government is actively co-ordinating on the construction of the Hong Kong-Zhuhai-Macau Bridge to link land traffic with Macau and the affluent Pearl River Delta area. In the meantime, to strengthen Hong Kong's position as one of the most popular tourist destination in the region, many new tourist attractions will continue to be rolled out in Hong Kong, including the Tung Chung Cable Car, the Ocean Park redevelopment project and the Hong Kong Disneyland Phase 2.
- Overall, the Group is confident of the growing prospects of the tourist industry in Hong Kong and the Group's hotels are well poised to benefit from the resultant increase in the market demands in the local hotel sector. Apart from the internal expansion through the asset enhancement programme, the Group is looking to further develop its hotel network, both in hotel ownership as well as in hotel management contracts. To facilitate this planned business expansion, the Group has been actively working on the separate listing of a real estate investment trust involving its five Regal Hotels in Hong Kong. Shareholders will be kept informed once the final time table for the proposed separate listing is determined.

### MANAGEMENT DISCUSSION AND ANALYSIS

- During the period under review, net cash inflow from operating activities totalled HK\$204.1 million (2005 - HK\$193.0 million). Net interest payment for the period amounted to HK\$152.7 million (2005 - HK\$97.6 million). The increase in the net interest payment was largely due to the increased interest rates.
- Aggregate depreciation and amortisation provided for the period under review amounted to HK\$68.0 million (2005 - HK\$64.9 million). The amount of the depreciation on the hotel buildings and amortisation of the prepaid land lease payments charged to the income statement for the period of HK\$49.7 million (2005 - HK\$49.6 million) had no actual impact on the operating cash flows.
- The Group's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation on buildings and amortisation on the leasehold land interests. Due to the significant difference between the fair market values of the Group's hotel properties in Hong Kong based on their annual open market valuations and the values as stated in the financial statements herein presented, particularly that some of these properties were acquired and/or developed by the Group many years ago at relatively low costs, 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 to adjust for the open market valuations as at 31st December, 2005 of the Group's hotel properties in Hong Kong, which should more fairly reflect the Group's net assets position.

### STATEMENT OF PROFORMA NET ASSETS

	30th June, 2006 (Unaudited) HK\$'M	31st December, 2005 (Unaudited) HK\$'M
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,891.6	2,920.2
Prepaid land lease payments	1,076.9	1,088.0
Add: Revaluation surplus relating to hotel properties based on open market valuation*	10,539.5	10,500.0
	14,508.0	14,508.2
Other non-current assets	2,759.1	2,366.4
<b>TOTAL NON-CURRENT ASSETS</b>	<b>17,267.1</b>	<b>16,874.6</b>
<b>CURRENT ASSETS</b>	<b>259.6</b>	<b>543.4</b>
<b>CURRENT LIABILITIES</b>	<b>(1,812.8)</b>	<b>(2,044.7)</b>
<b>NET CURRENT LIABILITIES</b>	<b>(1,553.2)</b>	<b>(1,501.3)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>15,713.9</b>	<b>15,373.3</b>
<b>NON-CURRENT LIABILITIES</b>	<b>(3,113.0)</b>	<b>(3,104.1)</b>
<b>PROFORMA NET ASSETS</b>	<b>12,600.9</b>	<b>12,269.2</b>
<b>MINORITY INTERESTS</b>	<b>(1.3)</b>	<b>(1.3)</b>
<b>PROFORMA NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>12,599.6</b>	<b>12,267.9</b>
Proforma net asset value per ordinary share	<b>HK\$1.49</b>	<b>HK\$1.47</b>

\* Surplus of aggregate independent professional valuations of HK\$14,500 million as at 31st December, 2005 over the carrying values of hotel properties (including furniture, fixture and equipment) at the respective balance sheet dates

- As at 30th June, 2006, the Group's borrowings net of cash and bank balances amounted to HK\$4,685.5 million (31st December, 2005 - HK\$4,367.5 million). The Group's gearing ratio based on total assets of HK\$6,987.2 million per financial statements herein presented (31st December, 2005 - HK\$6,918.0 million) was 67.1% (31st December, 2005 - 63.1%). However, based on the proforma total assets of HK\$17,526.7 million as at 30th June, 2006 (31st December, 2005 - HK\$17,418.0 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 26.7% (31st December, 2005 - 25.1%).
- As the Group's borrowings are primarily denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest 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 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 comprise 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 the Group's hotel operations during the period under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance as well as the progress and prospects on the Regalia Bay development are contained in the sections headed "Review of Operations" and "Outlook" above, respectively.

### DIVIDEND

- In view of the satisfactory results achieved, the Directors have declared the payment of an interim dividend of HK0.25 cent per ordinary share for the financial year ending 31st December, 2006 (2005 - HK0.25 cent), absorbing a total amount of approximately HK\$21.1 million (2005 - HK\$21.1 million), 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 of ordinary shares and/or subscriptions of the outstanding 2007 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, Computershare Hong Kong Investor Services 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) HK\$'M
REVENUE (Note 2)	608.3	542.4
Cost of sales	(320.0)	(311.1)
Gross profit	288.3	231.3
Other income and gains (Note 3)	41.5	84.5
Administrative expenses	(35.6)	(25.1)
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION</b>	<b>294.2</b>	<b>290.7</b>
Depreciation and amortisation	(68.0)	(64.9)
<b>OPERATING PROFIT (Note 2)</b>	<b>226.2</b>	<b>225.8</b>
Finance costs	(134.9)	(77.5)
Share of profits and losses of: Jointly controlled entity	217.1	140.6
Associates	(1.0)	(1.2)
<b>PROFIT BEFORE TAX</b>	<b>307.4</b>	<b>287.7</b>
Tax (Note 5)	3.4	14.6
<b>PROFIT FOR THE PERIOD</b>	<b>310.8</b>	<b>302.3</b>
Attributable to: Equity holders of the parent	310.8	302.3
Minority interests	—	—
	<b>310.8</b>	<b>302.3</b>
<b>EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 6)</b>		
Basic	<b>HK3.7 cents</b>	<b>HK3.6 cents</b>
Diluted	<b>HK3.0 cents</b>	<b>HK2.9 cents</b>
<b>DIVIDEND PER ORDINARY SHARE</b>	<b>HK0.25 cent</b>	<b>HK0.25 cent</b>

**Condensed Consolidated Balance Sheet**

	30th June, 2006 (Unaudited) HK\$'M	31st December, 2005 (Audited) HK\$'M
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,891.6	2,920.2
Prepaid land lease payments	1,076.9	1,088.0
Interest in a jointly controlled entity	2,029.3	1,804.7
Interests in associates	398.8	260.7
Equity investments at fair value through profit or loss	170.5	140.8
Other loan	63.6	62.1
Deferred tax assets	96.9	98.1
Total non-current assets	<u>6,727.6</u>	<u>6,374.6</u>
<b>CURRENT ASSETS</b>		
Hotel and other inventories	16.9	16.3
Debtors, deposits and prepayments (Note 7)	146.9	134.0
Equity investments at fair value through profit or loss	17.0	9.7
Time deposits	53.7	356.5
Cash and bank balances	25.1	26.9
Total current assets	<u>259.6</u>	<u>543.4</u>
<b>CURRENT LIABILITIES</b>		
Creditors and accruals (Note 8)	(141.8)	(224.6)
Promissory note payable	—	(145.0)
Derivative financial instrument	(1.1)	(5.4)
Interest bearing bank borrowings	(1,668.7)	(1,668.7)
Tax payable	(1.2)	(1.0)
Total current liabilities	<u>(1,812.8)</u>	<u>(2,044.7)</u>
<b>NET CURRENT LIABILITIES</b>		
	<u>(1,553.2)</u>	<u>(1,501.3)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		
	<u>5,174.4</u>	<u>4,873.3</u>
<b>NON-CURRENT LIABILITIES</b>		
Convertible bonds	(192.1)	(188.4)
Convertible preference shares	(130.7)	(126.9)
Interest bearing bank borrowings	(2,772.8)	(2,766.9)
Deferred tax liabilities	(17.4)	(21.9)
Total non-current liabilities	<u>(3,113.0)</u>	<u>(3,104.1)</u>
<b>Net assets</b>		
	<u>2,061.4</u>	<u>1,769.2</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	84.5	83.7
Equity component of convertible bonds	21.8	21.8
Reserves	1,932.7	1,616.3
Dividends	21.1	46.1
	<u>2,060.1</u>	<u>1,767.9</u>
<b>Minority interests</b>		
	<u>1.3</u>	<u>1.3</u>
<b>Total equity</b>		
	<u>2,061.4</u>	<u>1,769.2</u>

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, 2005, except for the adoption of the following Hong Kong Financial Reporting Standards ("HKFRSs") mandatory for annual periods beginning on or after 1st January, 2006.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above HKFRSs has had no material impact on the Group's results of operations for the current period or financial position at 30th June, 2006 in the Group's condensed consolidated financial statements.

## 2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the hotel ownership and management segment engages in hotel operations and the provision of hotel management services;

- (b) the property development and investment segment includes investments in properties held for sale and for their rental income, and the provision of property agency and management services; and

- (c) the others segment mainly comprises the Group's securities trading, other investment business, brewery operations, health products operations, the provision of 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 tables present revenue and profit/(loss) information for the Group's business segments.

**Group**

	Hotel ownership and management		Property development and investment		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M
Segment revenue:										
Sales to external customers	575.0	509.1	0.5	1.0	32.8	32.3	—	—	608.3	542.4
Intersegment sales	1.1	1.2	0.1	0.2	1.2	3.5	(2.4)	(4.9)	—	—
<b>Total</b>	<b>576.1</b>	<b>510.3</b>	<b>0.6</b>	<b>1.2</b>	<b>34.0</b>	<b>35.8</b>	<b>(2.4)</b>	<b>(4.9)</b>	<b>608.3</b>	<b>542.4</b>
Segment results before depreciation and amortisation										
	262.4	238.0	0.2	0.2	31.5	61.5	—	—	294.1	299.7
Depreciation and amortisation	(67.8)	(62.2)	(0.1)	(0.1)	(0.1)	(2.6)	—	—	(68.0)	(64.9)
Segment operating results	194.6	175.8	0.1	0.1	31.4	58.9	—	—	226.1	234.8
Interest income and unallocated non-operating and corporate gains										
									8.5	1.6
Unallocated non-operating and corporate expenses										
									(8.4)	(10.6)
Operating profit									226.2	225.8
Finance costs									(134.9)	(77.5)
Share of profits and losses of:										
Jointly controlled entity										
Associates	—	—	217.1	140.6	—	—	—	—	217.1	140.6
	(0.2)	(0.2)	(0.6)	—	(0.2)	(1.0)	—	—	(1.0)	(1.2)
Profit before tax									307.4	287.7
Tax									3.4	14.6
Profit for the period									310.8	302.3
Attributable to:										
Equity holders of the parent										
									310.8	302.3
Minority interests										
									—	—
									310.8	302.3

- (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, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M	Six months ended 30th June, 2006 (Unaudited) HK\$'M	
Segment revenue:								
Sales to external customers	606.1	511.1	2.2	31.3	—	—	608.3	542.4

3. Other income and gains are analysed as follows:

	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M
<b>Other income</b>		
Bank interest income	2.8	1.5
Interest income from other loan	1.5	—
Dividend income from listed investments	3.0	0.9
Settlement amount received less expenses for the business interruption claims in relation to the Group's hotel operations	—	20.9
Others	—	0.2
	<u>7.3</u>	<u>23.5</u>
<b>Gains</b>		
Fair value gains on equity investments at fair value through profit or loss, net	29.9	61.0
Fair value gain on derivative financial instrument	4.3	—
	<u>34.2</u>	<u>61.0</u>
	<u>41.5</u>	<u>84.5</u>

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

	Six months ended 30th June, 2006 (Unaudited) HK\$'M	Six months ended 30th June, 2005 (Unaudited) HK\$'M
Gain on sale of equity investments at fair value through profit or loss	<u>2.5</u>	<u>—</u>

5. The tax credit 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		
Prior year overprovision	—	(5.0)
Current - Overseas		
Provision for tax in respect of profits for the period	0.2	0.2
Prior year overprovision	(0.3)	—
Deferred tax	<u>(3.3)</u>	<u>(9.8)</u>
Tax credit for the period	<u>(3.4)</u>	<u>(14.6)</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits or had available tax losses brought forward from prior years to offset the assessable profits, derived from or earned in Hong Kong during the period (2005 - Nil).

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

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period (2005 - Nil).

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.

6. 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\$310.8 million (2005 - HK\$302.3 million), and on the weighted average of 8,397.9 million (2005 - 8,356.2 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 adjusted profit for the period attributable to equity holders of the parent of HK\$316.5 million as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 10,413.2 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of the period. The conversion of the outstanding convertible preference shares of the Company 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 the Company outstanding during the period is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2005 was based on the adjusted profit for that period attributable to equity holders of the parent

of HK\$307.8 million, as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 10,461.7 million ordinary shares of the Company that would have been in issue during that period assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of that period. The conversion of the outstanding convertible preference shares of the Company was anti-dilutive for that period and was not included in the calculation of diluted earnings per ordinary share. In addition, the exercise price of the share options of the Company outstanding during that period was higher than the average market price of the Company's ordinary shares and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

7. Included in debtors, deposits and prepayments is an amount of HK\$67.3 million (31st December, 2005 - HK\$73.0 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	61.9	64.6
Between 4 to 6 months	1.9	1.9
Between 7 to 12 months	0.9	4.0
Over 1 year	<u>3.5</u>	<u>3.6</u>
	68.2	74.1
Impairment	<u>(0.9)</u>	<u>(1.1)</u>
	<u>67.3</u>	<u>73.0</u>

#### Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less any impairment which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

8. Included in creditors and accruals is an amount of HK\$37.2 million (31st December, 2005 - HK\$45.8 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	36.3	45.0
Between 4 to 6 months	0.6	0.8
Between 7 to 12 months	<u>0.3</u>	<u>—</u>
	<u>37.2</u>	<u>45.8</u>

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

9. 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  
Miss LO Po Man  
Mr. Kenneth NG Kwai Kai  
Ms. Belinda YEUNG Bik Yiu

#### Non-Executive Directors:

Dr. Francis CHOI Chee Ming, JP  
(Vice Chairman)  
Mr. Kai Ole RINGENSON

#### Independent Non-Executive Directors:

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

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 18th September, 2006