

2008 INTERIM ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	Six months ended 30th June, 2008	Six months ended 30th June, 2007
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Revenue	750.8	622.0
Operating profit	344.8	2,507.4*
Profit for the period attributable to equity holders of the parent	600.1	2,496.2*
Basic earnings per ordinary share	HK5.8 cents	HK26.3 cents
Interim dividend	HK0.3 cent	HK0.3 cent
◆ Proforma net asset value per ordinary share	HK\$1.23	HK\$1.14

*included a one-off gain of HK\$2,320.4 million attributable to the disposal of the five hotel properties in Hong Kong to Regal REIT in conjunction with its separate listing in March 2007

◆ compiled on a proforma basis, for the purpose of reference, to adjust for the interest held in Regal REIT to reflect the share of the underlying net assets of Regal REIT attributable to the Group

FINANCIAL RESULTS

For the six months ended 30th June, 2008, the Group achieved an unaudited consolidated profit attributable to ordinary shareholders of HK\$600.1 million. In the comparative period in 2007, the Group recorded a profit of HK\$2,496.2 million which included a one-off gain of HK\$2,320.4 million attributable to the disposal by the Group of the five hotel properties in Hong Kong to Regal Real Estate Investment Trust in conjunction with its separate listing in March 2007.

As noted earlier, the holding and operating structure of the hotel business of the Group has changed after the spin-off of Regal REIT. The Group now primarily focuses on hotel operation and management businesses while Regal REIT is principally engaged in asset ownership. The income from hotel ownership is attributed to the Group through the interest held in Regal REIT and reflected in the Group's financial results under the share of profit of associates.

REVIEW OF OPERATIONS

HOTELS

Hong Kong

During the period under review, the global economy as a whole has been adversely impacted by the financial turmoil that started off with the sub-prime loan crisis in the United States. The economy in Mainland China, to which the economy of Hong Kong is closely linked, has however continued to grow, although at a much more controlled pace. Hong Kong has also continued to benefit from its position as a favoured travel and tourism destination as well as being the gateway to Mainland China. In the first half of 2008, total visitor arrivals to Hong Kong surpassed 14 million and recorded an overall growth of 8.9% over the same period in 2007. Considering that the tourism business in Hong Kong during this period has been affected by the slow-down in the economies of most major overseas markets, the catastrophes that occurred in China and the tightened visa restrictions imposed by the Chinese Government, the growth achieved in the visitor arrivals can be viewed as satisfactory.

Regarding the hotel industry in Hong Kong, the average hotel room occupancy rate for all hotels in different categories published by Tourism Research Hong Kong Tourism Board for this six-month period was 83%, the same level as that in the comparative period in 2007, while the average achieved hotel room rate has increased by 4.8%. The hotel room occupancy rate recorded was comparatively flat primarily due to an expanded supply of new hotel rooms in Hong Kong during the period.

The five Regal Hotels in Hong Kong, which are now owned by Regal REIT and operated and managed by the Group, have on the whole performed better than the industry average in relative terms in the six months under review and attained an increase of 9.7% in average room rate and 7.8% in RevPAR (Revenue per Available Room). These improvements reflect the successful execution of the internal growth strategy through pro-active asset management and the on-going efforts to reposition the hotels to capture higher yielding hotel market segments.

In the early part of 2008, Regal REIT commenced a HK\$85 million capital additions programme with the objective to enhance the competitiveness of the hotels. The projects under the programme included the conversion of available space in three of the hotels into conference and meeting areas, targeting towards the MICE (meetings, incentives, conventions and exhibitions) market which can, in turn, help generate additional room occupancy and higher room rates. Also included in the programme are the addition of three specialty restaurants at Regal Riverside Hotel in Shatin with direct street access and the upgrading of the façade of Regal Oriental Hotel in Kowloon City to give the property a new and fresh look.

The first phase of the Asset Enhancement Programme, undertaken to be completed by the Group at its own costs in conjunction with the disposal of the hotel properties to Regal REIT, has been completed. Accordingly, a total of approximately 217.5 million units of Regal REIT held by the Group, which were previously subject to the distribution waiver pending completion of the relevant parts of the Asset Enhancement Programme, are now entitled to distributions by Regal REIT. The remaining part of the Asset Enhancement Programme relates to the construction, fitting out and decoration of three additional stories on top of the existing structure at Regal Riverside Hotel, comprising 274 additional hotel rooms. Construction works are well in progress, but due to the introduction of value enhancing design changes to the room configurations and specifications as agreed with the REIT Manager as well as interruptions to the construction

schedule caused by the Olympic Equestrian Events street improvement work programme, it is expected that the completion date would be delayed and extended from the original target date of 31st December, 2008 to around mid-2009.

The People's Republic of China

Apart from the two managed hotels in Puxi, Shanghai, the Group is providing pre-opening consultancy services to a 380-room four star business hotel in Pudong, which will be managed by the Group and named as Regal Jinfeng Hotel, scheduled to be opened in the first quarter of 2009.

In February this year, the Group entered into a Strategic Alliance Pact with Jinling Hotels & Resorts, one of the leading hotel management companies in China that presently manages 64 hotels in various cities in China. First of its kind in China, the strategic partnership between the Group and Jinling is aimed to create a multi-faceted co-operation that spans across sales and marketing, food and beverage, customer resources, human resources and training, corporate cultural exchange as well as promoting business development for both parties in China and overseas.

In recognition of its achievement in the hotel industry, the Group was awarded "The Best Local Hotel Management Group of China of the 3rd Starlight Award of China Hotel 2007". Adopting a flexible and multi-directional approach, the Group will continue to actively seek expansion opportunities in the Mainland.

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.

With respect to the planned business expansion of Regal REIT, the REIT Manager has during the past year been actively reviewing numerous acquisition proposals for hotel properties in

Mainland China and has been engaged in a number of serious negotiations on certain of those proposals. However, due to the high expectations on selling prices on the part of the owners as prompted by the Olympic fervor and having considered the tightening monetary market and the austerity measures introduced by the Chinese Government, management of the REIT Manager has remained disciplined in adhering to prudent assessment criteria and hence the planned expansion programme has been delayed.

There has been a large increase in the number of hotels completed in Mainland China and especially in Beijing over the past period leading to the opening of the Beijing Olympic Games in August. As the Olympic Games are now over, there will inevitably be a temporary over-supply of hotel rooms in the short term, particularly in Beijing.

However, looking into the medium to long term, the holding of the 2008 Olympic Games will definitely have a positive impact on China and the benefits to its economy should gradually become more evident, with particular stimulus to the tourism sector.

With the benefit of hindsight, the delay in the implementation of the expansion plans for the acquisition of hotel properties has apparently proven to have been a correct strategy. The REIT Manager has in the recent months received an increasing number of proposals offering hotels and mixed-use properties in different regions at more reasonable prices, which it is actively reviewing. Nevertheless, in view of the continuing tightening of the monetary markets globally and the austerity measures being imposed in China, it is anticipated that even more attractive acquisition opportunities may become available.

While Regal REIT will continue to focus primarily on hotels and hospitality-related properties in Greater China, approval has been obtained from its unitholders in May 2008 to expand its investment scope, in order to provide flexibility to Regal REIT on asset types as well as geographical locations for future property acquisitions.

Regal Portfolio Management Limited

As part of its principal businesses, the Group is providing through Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, asset management services to Regal REIT. REIT Manager's fees received for the period amounted to HK\$37.6 million, a major part of which was settled in the form of units of Regal REIT.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

Over the past few months, the property market in Hong Kong has been relatively quiet due to the slow-down in the overall global economy and the depressed state of the local stock market. Though property prices in Hong Kong have remained relatively stable, transacted volume has contracted substantially as compared with the year before. The Group is retaining beneficial ownership interest in 31 remaining houses in Regalia Bay, 16 of which are presently under leases. The Group is confident of the prospects of the property market in Hong Kong and, in particular, the luxury residential segment on account of the limited supply. While certain houses are intended to be retained for rental income, the Group will continue to sell some of the remaining houses if the offered prices are considered to be satisfactory.

During the period, 15 houses that are beneficially owned by the Group and under leases to third party tenants were reclassified from properties held for sale to investment properties. Based on independent professional valuations obtained, there is a fair value gain of HK\$358.5 million arising from such reclassification which has been incorporated in the unaudited financial statements presented for this interim period. The other 16 remaining houses continue to be held as properties for sale and accounted for at carrying costs which are well below their market valuations.

The People's Republic of China

Development project

In the Central Business District of Beijing

This development project is situated in a very prominent location within the Central Business District of Beijing. The project is held through a Sino-foreign joint venture entity that is 59% owned by an associate which, in turn, is 50% each held by the Group and Paliburg Holdings Limited. 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 comprised within the overall project.

Development Projects in Chengdu, Sichuan Province

Development Project in Xindu District

This development project is operated through a joint venture that is 50% owned by each of the Group and Cosmopolitan International Holdings Limited. The site was acquired at a public land auction held in October 2007 and the land transfer consideration of RMB213.1 million has been fully settled in July 2008.

The project site is composed of two separate land parcels. One of the parcels is planned to be developed into a hotel and commercial complex with aggregate gross floor area of about 180,000 square meters above ground together with about 50,000 square meters of commercial, auxiliary services and car park areas below ground. The other parcel is planned for residential development with aggregate gross floor area of about 315,000 square meters. The Planning Permits for Construction Land for the proposed development have been obtained and detail planning works are in progress.

Development Project in Gaoxin District

In November last year, the Group entered into an agreement with an independent third party for the proposed establishment of a joint venture for the development of a site located in South Gaoxin District, planned for hotel and commercial uses.

As the parties have not been able to come to agreement with respect to the detailed terms and arrangements pertaining to the proposed joint venture, the Group has now decided that it would not further pursue on this proposed project.

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 the Cosmopolitan group and was granted an option to subscribe on same terms for an additional principal amount of HK\$100 million of such convertible bonds. In April 2008, the Group purchased from an independent third party certain zero coupon guaranteed convertible bonds due 2010 issued by Cosmopolitan group in a principal amount of approximately HK\$39 million at a consideration of HK\$76 million. Details of this transaction were contained in an announcement issued by the Company dated 6th May 2008.

Based on the interests held by the Group in the ordinary shares and convertible bonds of Cosmopolitan, the Group can hold up to approximately 26.5% of Cosmopolitan on a fully-diluted basis, assuming all the outstanding convertible bonds and options on shares and convertible bonds granted by the Cosmopolitan group are fully converted and exercised.

Apart from the joint venture with the Group on the development project in Xindu District in Chengdu referred to above, the Cosmopolitan group is 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, it 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.

The Group is positive on the long-term prospects on the real estate market in the PRC and believes that the strategic investments made in the Cosmopolitan group will enable the Group to share in its growth potential. On the other hand, this will also create a platform for future business collaboration between the two groups on the development projects undertaken by Cosmopolitan group, which can in turn facilitate the future business expansion of the Group.

OUTLOOK

The holding of the Olympic Equestrian Events in Hong Kong has generated positive impact to the local hotel business and the Regal Riverside Hotel in Shatin particularly benefited. Given that the second half of the year is usually the busier time for the hotel industry in Hong Kong, it is anticipated that there will be continued improvement in the performance of the Regal Hotels in Hong Kong.

While the outlook of the global economy in the near term might be uncertain, economic growth in the Mainland and Hong Kong is expected to sustain, albeit at a slower pace, which will continue to benefit the local tourism and hotel businesses. The Group as a whole has strong financial resources and management expertise, and is in a ready position to take advantage of the investment opportunities that may become available amid a period of increasing economic volatility.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, net cash inflow from operating activities totalled HK\$59.7 million (2007 – HK\$4.5 million). Net interest receipt for the period amounted to HK\$24.2 million (2007 – net interest payment of HK\$36.7 million).

Aggregate depreciation and amortisation provided for the period under review amounted to HK\$1.8 million (2007 – HK\$37.6 million which primarily represented the depreciation on the hotel buildings and related fixed assets and amortisation of the prepaid land lease payments charged to the income statement for the period before the effective sale of the five hotel properties in Hong Kong to Regal REIT on 30th March, 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 adjust for the interest held in Regal REIT to reflect the share of the underlying net assets of Regal REIT attributable to the Group, is provided as follows:

Statement of Proforma Net Assets

	30th June, 2008
	(Unaudited)
	HK\$'M
Non-current assets	
Interest in Regal REIT	7,946.3
Interests in other associates	523.4
Other non-current assets	2,978.6
	<hr/>
Total non-current assets	11,448.3
Net current assets	1,258.6
	<hr/>
Total assets less current liabilities	12,706.9
Minority interests	(1.3)
	<hr/>
Proforma net assets attributable to equity holders of the parent	12,705.6
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Proforma net asset value per ordinary share	HK\$1.23
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As at 30th June, 2008, the Group had no outstanding bank loan and had total cash and bank balances, net of other borrowings, of HK\$1,326.2 million (as at 31st December, 2007, the Group had total cash and bank balances, net of a short term bank loan and other borrowings, of HK\$1,411.5 million).

As at 30th June, 2008, part of the Group's bank deposits and certain other financial assets at fair value through profit or loss in the total amount of HK\$1,001.6 million (31st December, 2007 – HK\$1,000.8 million) were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. Under the lease agreements in connection with the leasing of the hotel properties from Regal REIT, the Group has also guaranteed a total minimum variable rent payable for the period from 30th March, 2007 to 31st December, 2010 in the amount of HK\$220.0 million, of which variable rent of HK\$101.6 million has been paid for the year ended 31st December, 2007.

During the period under review, the Group continued to adopt similar funding, treasury and remuneration policies as disclosed in the annual report of the Company for the year ended 31st December, 2007. 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 principally 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 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, the progress and prospects on the Regalia Bay properties as well as the performance of Regal REIT are contained in the sections headed “Financial Results”, “Review of Operations” and “Outlook” above, respectively.

DIVIDEND

The Directors have declared the payment of an interim dividend of HK0.3 cent per ordinary share for the financial year ending 31st December, 2008 (2007 – HK0.3 cent), absorbing an amount of approximately HK\$30.8 million (2007 – HK\$32.0 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, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 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 (Unaudited) HK\$'M	Six months ended 30th June, 2007 (Unaudited) HK\$'M
REVENUE (Note 2)	750.8	622.0
Cost of sales	(746.7)	(532.8)
Gross profit	4.1	89.2
Other income and gains (Note 3)	64.4	203.9
Administrative expenses	(80.4)	(68.5)
Gain on disposal of subsidiaries (Note 4)	–	2,320.4
Fair value gain upon reclassification of properties held for sale to investment properties	358.5	–
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	346.6	2,545.0
Depreciation and amortisation	(1.8)	(37.6)
OPERATING PROFIT (Note 2)	344.8	2,507.4
Finance costs	(5.8)	(80.3)
Share of profits and losses of:		
Jointly controlled entities	(1.8)	1.9
Associates	263.5	79.3
PROFIT BEFORE TAX	600.7	2,508.3
Tax (Note 6)	(0.6)	(12.1)
PROFIT FOR THE PERIOD	600.1	2,496.2
Attributable to:		
Equity holders of the parent	600.1	2,496.2
Minority interests	–	–
	600.1	2,496.2

EARNINGS PER ORDINARY SHARE
ATTRIBUTABLE TO EQUITY HOLDERS
OF THE PARENT (Note 7)

Basic	HK5.8 cents	HK26.3 cents
Diluted	HK5.8 cents	HK23.4 cents
DIVIDEND PER ORDINARY SHARE	HK0.3 cent	HK0.3 cent

Condensed Consolidated Balance Sheet

	30th June, 2008	31st December, 2007
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	12.0	11.1
Investment properties	1,176.0	–
Interests in jointly controlled entities	163.1	112.1
Interests in associates	1,462.2	1,277.3
Available-for-sale investment	3.9	–
Financial assets at fair value through profit or loss	617.5	380.7
Other loan	36.1	36.1
Pledged bank deposits	970.0	970.0
Deposit for acquisition of land	–	134.4
Total non-current assets	4,440.8	2,921.7
CURRENT ASSETS		
Hotel and other inventories	18.8	17.0
Properties held for sale	959.6	1,771.3
Debtors, deposits and prepayments (Note 8)	195.4	551.0
Financial assets at fair value through profit or loss	186.7	229.8
Pledged time deposit	–	24.0
Time deposits	345.7	489.6
Cash and bank balances	142.9	77.9
Total current assets	1,849.1	3,160.6

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2008	31st December, 2007
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 9)	(454.3)	(646.8)
Derivative financial instrument	–	(0.1)
Interest bearing bank borrowings	–	(21.4)
Convertible preference shares	(132.4)	(128.6)
Tax payable	(3.8)	(3.7)
Total current liabilities	(590.5)	(800.6)
NET CURRENT ASSETS	1,258.6	2,360.0
Net assets	5,699.4	5,281.7
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	102.9	104.9
Reserves	5,564.4	5,071.7
Dividends	30.8	103.8
	5,698.1	5,280.4
Minority interests	1.3	1.3
Total equity	5,699.4	5,281.7

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 hotel ownership/operation[†] and management segment engages in hotel operations and the provision of hotel management services;

- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services; and
- (d) the others segment mainly comprises the Group's securities trading, other investment business, health products operations and bakery operations.

† The Group 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 leased the hotel properties from Regal REIT for hotel operations.

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 tables present revenue and profit/(loss) information for the Group's business segments.

Group

	Hotel ownership/ operation and management		Asset management		Property development and 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	
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
Segment revenue:												
Sales to external customers	697.6	596.3	37.6	17.4	14.8	0.6	0.8	7.7	-	-	750.8	622.0
Intersegment sales	0.2	0.1	-	-	1.7	0.2	1.5	1.6	(3.4)	(1.9)	-	-
Total	<u>697.8</u>	<u>596.4</u>	<u>37.6</u>	<u>17.4</u>	<u>16.5</u>	<u>0.8</u>	<u>2.3</u>	<u>9.3</u>	<u>(3.4)</u>	<u>(1.9)</u>	<u>750.8</u>	<u>622.0</u>
Segment results before depreciation and amortisation	(92.4)	46.8	31.5	11.6	367.3	0.4	35.3	167.2	-	-	341.7	226.0
Depreciation and amortisation	(1.3)	(36.4)	(0.2)	(0.1)	(0.1)	(0.1)	-	-	-	-	(1.6)	(36.6)
Segment operating results	<u>(93.7)</u>	<u>10.4</u>	<u>31.3</u>	<u>11.5</u>	<u>367.2</u>	<u>0.3</u>	<u>35.3</u>	<u>167.2</u>	<u>-</u>	<u>-</u>	<u>340.1</u>	<u>189.4</u>
Interest income and unallocated non-operating and corporate gains											27.0	2,353.0
Unallocated non-operating and corporate expenses											<u>(22.3)</u>	<u>(35.0)</u>
Operating profit											344.8	2,507.4
Finance costs											(5.8)	(80.3)
Share of profits and losses of:												
Jointly controlled entities	-	-	-	-	(1.8)	1.9	-	-	-	-	(1.8)	1.9
Associates	266.7	79.8	-	-	(3.1)	(0.3)	(0.1)	(0.2)	-	-	263.5	79.3
Profit before tax											600.7	2,508.3
Tax											(0.6)	(12.1)
Profit for the period											<u>600.1</u>	<u>2,496.2</u>
Attributable to:												
Equity holders of the parent											600.1	2,496.2
Minority interests											-	-
											<u>600.1</u>	<u>2,496.2</u>

3. Other income and gains are analysed as follows:

	Six months ended 30th June, 2008 (Unaudited) HK\$'M	Six months ended 30th June, 2007 (Unaudited) HK\$'M
<u>Other income</u>		
Bank interest income	13.2	26.9
Other interest income	12.6	0.8
Dividend income from listed investments	0.8	0.1
Net settlement amount received for the claim in connection with the agreement for the sale and purchase of the Group's hotel property in Canada in 2002	–	4.4
Others	1.1	0.1
	<hr/> 27.7 <hr/>	<hr/> 32.3 <hr/>
<u>Gains</u>		
Fair value gains on financial assets at fair value through profit or loss, net	36.6	171.2
Fair value gain on derivative financial instrument	0.1	0.4
	<hr/> 36.7 <hr/>	<hr/> 171.6 <hr/>
	<hr/> 64.4 <hr/>	<hr/> 203.9 <hr/>

4. Gain on disposal of subsidiaries

In the prior period, the gain arose from the completion of the spin-off of Regal REIT (the “Spin-off”) during that period, which comprised the global offering and separate listing of the units in Regal REIT on The Stock Exchange of Hong Kong Limited, and all the incidental arrangements which primarily involved the disposal of the Group’s subsidiaries owning the five hotel properties in Hong Kong to Regal REIT, a real estate investment trust constituted by a trust deed between Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, as the manager of Regal REIT and DB Trustees

(Hong Kong) Limited as the trustee of Regal REIT. The Group retained 70.5% interest in Regal REIT and effectively disposed of 29.5% of its interest in the hotel properties upon the completion of the Spin-off (after accounting for the exercise of the over allotment option of the units in Regal REIT pursuant to the global offering).

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

	Six months ended 30th June, 2008	Six months ended 30th June, 2007
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Gain on sale of financial assets at fair value through profit or loss	0.1	0.7
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6. The tax charge for the period arose as follows:

	Six months ended 30th June, 2008	Six months ended 30th June, 2007
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Group:		
Current – Hong Kong	0.3	1.0
Current – Overseas	0.3	0.2
Deferred tax	–	10.9
	<hr/>	<hr/>
Tax charge for the period	0.6	12.1
	<hr/>	<hr/>

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.

No provision for tax is required for the jointly controlled entities as no assessable profits were earned by the jointly controlled entities during the period (2007 – Nil).

The share of tax credit attributable to associates amounting to HK\$38.4 million (2007 – tax charge of HK\$6.3 million) is included in “Share of profits and losses of associates” on the face of the condensed consolidated income statement.

There was no material unprovided deferred tax in respect of the period and as at the balance sheet date.

Deferred tax charge in the prior period had been calculated by applying the rate that was expected to apply in that period when the asset was settled.

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\$600.1 million (2007 – HK\$2,496.2 million), and on the weighted average of 10,375.5 million (2007 – 9,475.6 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, 2008 is based on the adjusted profit for the period attributable to equity holders of the parent of HK\$603.8 million as adjusted for the interest savings and fair value gain on derivative component of the convertible preference shares arising from the conversion of the convertible preference shares into ordinary shares of the Company, and on the adjusted weighted average of 10,451.5 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding convertible preference shares of the Company were converted into ordinary shares of the Company at the beginning of the period. 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, 2007 was based on the adjusted profit for that period attributable to equity holders of the parent of HK\$2,500.0 million as adjusted for the interest savings and fair value gain on derivative component of the convertible preference shares arising from the conversion of the convertible preference shares into ordinary shares of the Company, and on the adjusted weighted average of 10,681.2 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, and all outstanding convertible preference shares of the Company were converted into ordinary shares of the Company at the beginning of that period. 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.

8. Included in debtors, deposits and prepayments is an amount of HK\$90.4 million (31st December, 2007 – HK\$447.9 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	30th June, 2008	31st December, 2007
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	85.7	440.0
Between 4 to 6 months	2.0	3.5
Between 7 to 12 months	0.8	2.6
Over 1 year	3.1	3.0
	<hr/> 91.6	<hr/> 449.1
Impairment	(1.2)	(1.2)
	<hr/> 90.4 <hr/>	<hr/> 447.9 <hr/>

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less 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 (except for sale proceeds receivable from disposal of properties held for sale), there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

9. Included in creditors and accruals is an amount of HK\$50.5 million (31st December, 2007 – HK\$87.8 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	30th June, 2008	31st December, 2007
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	48.6	84.1
Between 4 to 6 months	0.3	1.4
Between 7 to 12 months	1.1	0.4
Over 1 year	0.5	1.9
	<hr/> 50.5 <hr/>	<hr/> 87.8 <hr/>

The trade creditors are non-interest bearing and are normally settled in 30 to 60-day terms.

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

During the six months ended 30th June, 2008, the Company has repurchased a total of 199,264,000 ordinary shares of the Company at an aggregate purchase price of HK\$103,904,360 on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2008	106,872,000	0.640	0.510	63,925,280
February 2008	6,120,000	0.570	0.540	3,325,500
April 2008	47,082,000	0.475	0.425	21,283,480
May 2008	2,898,000	0.440	0.430	1,253,140
June 2008	36,292,000	0.425	0.365	14,116,960
Total	199,264,000			103,904,360
		Total expenses on shares repurchased		642,522
				104,546,882

Out of the 199,264,000 repurchased ordinary shares, 176,062,000 repurchased ordinary shares, together with 31,130,000 ordinary shares repurchased in 2007 but not cancelled during that year, in aggregate 207,192,000 repurchased ordinary shares, were cancelled during the period, and the remaining 23,202,000 repurchased ordinary shares were cancelled subsequent to the period end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period.

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 Non-Executive Director 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 Director 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.

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)
Ms. Belinda YEUNG Bik Yiu
(Chief Operating Officer)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Miss LO Po Man
Mr. Kenneth NG Kwai Kai

Non-Executive Director:

Dr. Francis CHOI Chee Ming, JP
(Vice Chairman)

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, 10th September, 2008