



**The Wharf (Holdings) Limited**  
Interim Report to Shareholders 2006

[www.wharfholdings.com](http://www.wharfholdings.com)

Stock Code: 4



**WHARF**

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*Established 1886*

## Highlights of Group Results

- Group turnover rose by 4% to HK\$6,449 million (2005: HK\$6,179 million).
- Group operating profit rose by 4% to HK\$3,018 million (2005: HK\$2,908 million).
- Property Investment turnover rose by 10% to HK\$2,718 million and operating profit by 11% to HK\$1,915 million.
- Excluding net property revaluation surplus, profit attributable to shareholders decreased by 1% to HK\$1,900 million (2005: HK\$1,923 million).
- Including net property revaluation surplus, profit attributable to shareholders decreased by 31% to HK\$6,259 million (2005: HK\$9,035 million).
- Earnings per share were HK\$2.56 (2005: HK\$3.69).
- Net borrowing costs increased to HK\$412 million (2005: HK\$180 million). Average effective borrowing rate was 4.7% per annum (2005: 2.6% per annum).
- Consolidated net asset value increased to HK\$28.96 per share (December 31, 2005: HK\$26.71 per share).
- Net debt was HK\$16.4 billion (December 31, 2005: HK\$16.1 billion). Net debt to total assets ratio improved to 15.1% and net debt to shareholders' equity ratio to 23.2% (December 31, 2005: 15.7% and 24.6% respectively).

## Interim Dividend

The Board has declared an interim dividend in respect of the half-year period ended June 30, 2006 of 36 cents (2005: 36 cents) per share, payable on Friday, October 20, 2006 to shareholders on record as at October 13, 2006.

# Managing Director's Report

## Business Review

### Property

#### Harbour City

Harbour City turned over HK\$1,789 million during the first half of 2006, an increase of 10% over the same period in 2005.

Harbour City, excluding the three hotels which are stated at cost less accumulated depreciation, was revalued at HK\$47,202 million by professional valuer at June 30, 2006, 5% higher than the corresponding value at December 31, 2005.

#### **Retail** (1,913,000 sq ft – Valuation HK\$16,783 million)

Continual improvement in local sentiment and tourist arrivals boosted retail rental revenue to HK\$709 million, an increase of 11%. Average retail occupancy was maintained at 99% with favourable rental growth for new leases and renewals.

During the period, tenants at Harbour City recorded an average 18% increase in sales per square foot. Leasing activities remained active and a number of top-notch international brand names, including Chanel, Coach and Loewe, signed up.

Phase I of the Ocean Centre car park conversion with GFA of 45,000 square feet was completed in June 2006. Over 95% of the new retail space has been pre-leased to a cluster of up-market fashion brands.

#### **Office** (4,435,000 sq ft – Valuation HK\$24,419 million)

Turnover from the office sector rose by 7% to HK\$526 million, reflecting strong positive rental growth for new leases and renewal. Average occupancy was 95%. Lease renewal retention rate was 74% with major renewals including APL, Prudential Assurance and Sony International. New letting amounted to 170,000 square feet with rental rates reaching HK\$42 per square foot, a record high since the last peak in 1996.

#### **Serviced Apartments** (670,000 sq ft – Valuation HK\$6,000 million)

Turnover from the serviced apartments sector was HK\$103 million, a slight decrease of 4%. This was attributable to lower average occupancy of 75%, compared with 85% in 2005, as a result of competition from new and newly renovated serviced apartments in the marketplace. Upgrading works to improve the amenities and facilities of Gateway Apartments are in place to increase their competitiveness.

#### Times Square

Times Square turned over HK\$473 million during the first half of 2006, 8% higher than the same period in 2005. The property was revalued at HK\$18,160 million by professional valuer at June 30, 2006, 5% higher than December 31, 2005.

#### **Retail** (936,000 sq ft – Valuation HK\$11,386 million)

Times Square's retail sector recorded a turnover growth of 8% to reach HK\$334 million. Average retail occupancy was maintained at virtually 100% with favourable rental growth. Trade-mix refinement was underway. DG Lifestyle and JC Shop/JC Ladies opened new outlets at the lifestyle hub on the ninth floor while Lanna and Simply Thai became Food Forum tenants during the period. Other prestigious brands and trendsetters including Anteprema-Plastiq, Baby Jane Cacharel, Moussy and Reebok also joined Times Square. Trade-mix revamp on Basement 2 level to capture the shopper's traffic from MTR is continuing.

### **Office** (1,033,000 sq ft – Valuation HK\$6,774 million)

Turnover of the office sector registered an increase of 8% to HK\$139 million. Significant rental reversion contributed to this growth while occupancy stood at 93% at the end of June 2006. New commitments amounted to over 63,000 square feet during the period.

### **Plaza Hollywood**

Plaza Hollywood reported turnover growth of 5% to HK\$137 million on the back of strong tenants' sales performance and growth in rental rates. Average occupancy was 99%. Trade mix enhancement continued and the sports and audio-visual cluster was strengthened.

### **Property Development**

Property sales revenue was HK\$178 million during the period, mainly from sales of units at the 60 Victoria Road development. Profit of Sorrento and Bellagio was booked through the Group's share of associates' profits.

Bellagio, in Sham Tseng overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wharf, Wheelock and Wheelock Properties. Virtually all of 1,704 units in Towers 6, 7, 8 and 9 have been sold. Towers 1, 2, 3 and 5 with a total of 1,641 residential units were completed in early 2006. 94% of Tower 2 and Tower 5 (Total: 844 units) and 37% of Tower 1 and Tower 3 (Total: 797 units) have been sold by the end of June.

Sorrento is a joint-venture project with MTRC above the Kowloon Station, owned by a consortium comprising Wharf (20%), Harbour Centre Development (20%), Wheelock (20%) and Wheelock Properties (40%). Virtually all of the 854 units in Phase II have been sold by the end of June.

60 Victoria Road, Kennedy Town, is 100% owned by listed subsidiary Harbour Centre Development. The development was completed in May 2006. 62% of this 73-unit development has been sold by the end of June.

Gough Hill Residences, which comprises five deluxe houses, is scheduled for completion in October 2006. One house was pre-sold in April 2006 for HK\$220 million or HK\$28,000 per square foot.

Occupancy at Peak Portfolio was maintained at satisfactory level.

## **China**

### **Properties**

All three investment properties, namely Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, performed satisfactorily.

Wuhan Times Square, located on Yan Jiang Da Dao fronting the Yangtze River in Hankou, is being developed into a retail, apartment, hotel and residential complex and is scheduled for completion in the third quarter of 2007. Pre-sale of part of the residential units in Tower 3 and Tower 4 is in progress with 63% of the units launched pre-sold by the end of June 2006.

Dalian Times Square, located along Ren Min Road in Zhongshan District of Dalian, is being developed into a retail and residential complex, with completion scheduled in mid-2008.

During the first half of 2006, the Group acquired through public auction a second site in Chengdu for RMB789 million. The 820,000-square-foot commercial and residential site is located at the junction of Zhan Hua Road and Wu Hou Da Dao. A mixed-use development is being planned.

Pre-sale of Wellington Garden in Shanghai has commenced with 74% of the total number of units launched pre-sold by the end of June 2006. Wellington Garden is scheduled for completion by the end of 2006. Three other projects in Shanghai, namely Lot 1717, Nan Jing Xi Road, No. 1 Xin Hua Road (formerly known as Shanghai Parc Royal) and Jingan Garden are progressing according to plan.

### **Marco Polo Hotels**

Marco Polo Hotels currently has a portfolio of 10 hotels in the Asia Pacific Region, including two new hotels under construction. Two other new hotels are being planned for Chengdu and Wuhan.

The three hotels at Harbour City performed strongly during the period. Total hotel and club revenue increased by 17% to HK\$451 million, with double-digit growth in average room rates and consolidated occupancy of 90%.

Marco Polo Plaza, Cebu in the Philippines was opened in April 2006. The hotel is located at the prestigious Nivel Hills district in Cebu. It is only 25 minutes from Mactan International Airport and 10 minutes from the business and commercial district.

### **Modern Terminals**

Modern Terminals' turnover and operating profit reduced by 10% and 16% respectively during the first half of 2006, mainly due to revenue drop arising from box mix shift in favour of transshipment and feeder cargos, slight downward rate adjustment on contract renewals and increasing competition in Hong Kong and South China.

The South China region recorded a 10% increase in total container volume during the first half of 2006, on the back of sustainable export growth. Throughput at the Shenzhen terminals recorded an 11% growth, compared with 8% at Kwai Chung. Market share between Shenzhen terminals and Kwai Chung stood at 49% and 51% at the end of June 2006.

Throughput at Modern Terminals grew by 0.7% to 2.51 million TEUs during the period. In China, Chiwan Container Terminals, effectively 8% owned by Modern Terminals, handled 1.6 million TEUs, while Shekou Container Terminals Phases I and II, 10% and 9.8% owned respectively, handled 875,000 TEUs during the period.

Phase I of Taicang, 51% owned by Modern Terminals, handled 225,000 TEUs, 121% higher than the same period in 2005. The first berth of Phase II, 70% owned by Modern Terminals, commenced operation in July 2006.

Phase I of the Dachan Bay project in Shenzhen West, 65% owned by Modern Terminals, is progressing on plan and is scheduled to commence operation in phases starting from the end of 2007.

## Communications, Media and Entertainment (“CME”)

### i-CABLE

i-CABLE continued to report volume growth during the period but keen competition put pressure on both price and costs, which adversely affected operating results. Turnover rose by 4% to HK\$1,274 million but net profit after tax declined by 59% to HK\$64 million, partly due to non-recurring distortions.

### Pay TV

Turnover from Pay TV rose by 2% to HK\$966 million for the period. However, operating profit fell by 50% to HK\$98 million, partly due to revenue and expense timing mismatch relating to FIFA World Cup 2006, the enhancement of the movie platform and other content enrichment initiatives.

On the back of FIFA World Cup 2006, CABLE TV reported a subscription growth of 4% to 770,000 at the end of June 2006. The company continued to focus on triple-play offers and actively sold bundled packages to potential customers to deepen its tap into the market. CABLE TV's locally produced channels and programmes continued to gain acclaim and viewership. The exclusive World Cup carriage was a resounding success.

During the period, Horizon Channel launched a daily segment in Japan's DTH platform SKY PerfecTV. i-CABLE's first theatrical release *“49 Days”* not only returned satisfactory box office results in Hong Kong and Southeast Asia, but also bagged the Grand Prize in the Fukuoka Film Festival in Japan.

### Internet & Multimedia

Turnover rose by 6% to HK\$296 million, with operating profit growing by 119% to HK\$68 million, which set a new record.

Bundled services with pay TV and telephone continued to be the main strategy for customer acquisition. Network enhancement and introduction of more value-added services, amid a maturing market, were only able to maintain Broadband subscription at 321,000 at the end of June 2006.

During the period, more value-added services were introduced with continued enhancement of multimedia content. A new multiplayer online role-playing game *“Rappelz”* was well-received and proven to be a success in expanding the content offers of the Broadband service.

### Wharf T&T

During the period under review, despite considerable volume growth in IT related services operated by COL, turnover from the Wharf T&T group decreased by 5% to HK\$681 million primarily due to price erosion. Operating profit accordingly declined by HK\$43 million, resulting in a HK\$4 million operating loss.

Wharf T&T's installed base continued to grow despite yield decline. The new integrated business model of Wharf T&T and COL created value and gained customer reception. The fixed line installed base grew by 16,000 to reach 539,000, representing an overall market share of 13%.

Total outgoing IDD volume grew by 16% for the first half of 2006 to 308 million minutes, compared with 266 million minutes over the same period in 2005.

## Financial Review

### Review of 2006 Interim Results

#### Turnover

Group turnover for the period amounted to HK\$6,449 million, an increase of HK\$270 million or 4% (2005: HK\$6,179 million). The growth was contributed by the Property Investment and Property Development segments.

Revenue from the Property Investment segment was up by 10% to HK\$2,718 million, reflecting encouraging income growth across the property portfolio covering retail, office, hotels, serviced apartments and residential units. Property investments in China also recorded revenue growth.

Revenue from the Property Development segment grew by HK\$174 million to HK\$178 million, principally attributable to the recognition of revenue from the sale of residential units at the 60 Victoria Road development during the period.

The Logistics segment reported a 7% decrease in revenue to HK\$1,609 million. The drop reflected the revenue decline recorded by Modern Terminals arising from box mix shift in favour of transshipment and feeder cargos, slight downward rate adjustment on contract renewals and increasing competition in Hong Kong and South China.

CME's revenue rose by 1% to HK\$1,959 million, mainly driven by subscription growth in Pay TV and Broadband businesses. This was partly offset by decrease in other CME revenue.

#### Operating Profit

Group operating profit for the period amounted to HK\$3,018 million, an increase of HK\$110 million or 4% (2005: HK\$2,908 million). This was mainly driven by the 11% growth in operating profit from the Property Investment segment to HK\$1,915 million.

The Logistics segment's operating profit dropped by 13% to HK\$830 million, mainly due to lower revenue and higher fuel and equipment maintenance cost as recorded by Modern Terminals, whose operating profit dropped by HK\$142 million during the period.

Operating profit from CME segment decreased by 45% to HK\$141 million despite the revenue increase. Pay TV operating profit dropped by HK\$97 million or 50% to HK\$98 million due to ARPU erosion, revenue and expense timing mismatch relating to 2006 FIFA World Cup and higher costs involved in the movie platform enhancement. Besides, the Group's telecommunication unit recorded an operating loss of HK\$4 million amid escalating competition and price erosion in both IT and telecom sectors.

Group operating profit has benefited by the HK\$191 million increase in profit derived from investments and disposal of certain securities during the period.

#### Increase in Fair Value of Investment Properties

Included in the Group's profit for the period was a revaluation surplus of HK\$5,328 million (2005: HK\$8,691 million) on revaluation of the Group's investment properties in accordance with the current accounting standards.

## **Borrowing Costs**

Net borrowing costs increased by HK\$232 million to HK\$412 million for the period (2005: HK\$180 million). This increase was primarily due to the continuous interest rate hikes and the moderate increase in the Group's borrowings to meet with the expanding port investment activities undertaken by Modern Terminals. The charge was net of capitalisation of HK\$18 million (2005: HK\$6 million). The Group's average effective borrowing rate was 4.7% p.a. for the period, compared to 2.6% p.a. for the first half of 2005.

## **Share of Profits less Losses of Associates and Jointly Controlled Entities**

Share of profits less losses of associates and jointly controlled entities (after-tax) decreased by HK\$58 million to HK\$37 million (2005: HK\$95 million) as a result of lower property sales undertaken by associates during the period under review.

## **Taxation**

Taxation charge for the period decreased by 30% to HK\$1,414 million (2005: HK\$2,027 million). Excluding the deferred taxation of HK\$941 million (2005: HK\$1,544 million) on the revaluation surplus of investment properties during the period, taxation charge would be HK\$473 million as compared to HK\$483 million recorded last year.

## **Minority Interests**

Minority interests decreased by HK\$154 million to HK\$298 million (2005: HK\$452 million), due to drop in net profits recorded by the non wholly-owned subsidiaries, Modern Terminals and i-CABLE, and a decrease in minority interests' shareholdings after the Group's purchase of additional interest in Modern Terminals and i-CABLE in the second half of 2005.

## **Profit Attributable to Shareholders**

The Group's unaudited profit attributable to shareholders amounted to HK\$6,259 million, a decrease of HK\$2,776 million or 31% (2005: HK\$9,035 million). Earnings per share were HK\$2.56, compared to HK\$3.69 last year.

Excluding the net investment property revaluation surplus of HK\$4,359 million, represented by revaluation surplus of HK\$5,328 million less related deferred tax and minority interest of HK\$969 million, the Group's net profit attributable to shareholders would be HK\$1,900 million, a slight decrease of HK\$23 million or 1% (2005: HK\$1,923 million).

## **Liquidity and Financial Resources**

### **Shareholders' Equity**

As at June 30, 2006, the Group's net asset value increased to HK\$70,892 million, or HK\$28.96 per share, compared to the restated amount of HK\$65,374 million or HK\$26.71 per share as at December 31, 2005.

In compliance with the new accounting requirements in respect of the amendment to HKAS 19, the Group's consolidated net asset value as at January 1, 2006 was restated to HK\$65,374 million from HK\$65,313 million previously reported. The increase of HK\$61 million was attributable to recognition of all unrecognised actuarial gains for the defined benefit pension schemes as at December 31, 2005.

The Group's total equity, including minority interests, was HK\$74,485 million as at June 30, 2006, an increase of HK\$5,959 million or 9% over the restated HK\$68,526 million as at December 31, 2005.



## Supplemental Information on Net Asset Value (“NAV”)

To better reflect the underlying NAV attributable to shareholders, the following adjustments are made to the book NAV prepared based on the Hong Kong Financial Reporting Standards (“HKFRSs”):

	NAV to shareholders	
	Total HK\$ Million	Per share HK\$
Book NAV (based on HKFRSs) as at June 30, 2006	70,892	28.96
Adjustments for:		
<b>Modern Terminals (67.6%)</b>		
– based on the latest transaction price	8,150	3.33
<b>i-CABLE (73.6%)</b>		
– based on market price as at June 30, 2006 (@HK\$1.73 p.s.)	941	0.38
<b>Hotel properties</b>		
– based on the valuation as at June 30, 2006 conducted by an independent valuer	3,667	1.50
Deferred tax for surplus on revaluation of investment properties in Hong Kong*	10,242	4.18
Adjusted underlying NAV as at June 30, 2006	93,892	38.35
Adjusted underlying NAV as at December 31, 2005	87,474	35.74

\* As there is no capital gains tax in Hong Kong, total deferred tax liability in the amount of HK\$10.24 billion (equivalent to HK\$4.18 per share) as provided and included in the consolidated balance sheet would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the current tax regime. Accordingly, such deferred tax as provided on revaluation of investment properties in Hong Kong has been excluded for the above calculation in order to provide a better understanding of the net asset value attributable to shareholders.

## Net Cash Generated from the Group’s Operating Activities

For the period under review, the Group’s net cash inflow from operating activities decreased to HK\$1.7 billion (2005: HK\$2.8 billion), primarily due to the increase in expenditures on trading properties under development and interest payments. Net cash of HK\$0.7 billion was used in investing activities mainly consisted of the Group’s capital expenditure.

## Capital Expenditure

The capital expenditure incurred by the Group's core businesses during the period under review and related capital commitments as at June 30, 2006 are analysed as follows:

Business Unit/Company	Capital Commitments as at June 30, 2006		
	Capital Expenditure for 1-6/2006 HK\$ Million	Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
Property Investments/others			
China	45	38	977
Harbour City	187	10	9
Other properties/others	73	37	–
	305	85	986
Wharf T&T	85	115	83
	390	200	1,069
Modern Terminals (67.6%-owned)	646	2,944	1,411
i-CABLE (73.6%-owned)	121	19	115
	1,157	3,163	2,595
For the first half of 2005	665		
As at December 31, 2005		1,143	3,099

The capital expenditure incurred by the Property Investment segment mainly comprised of certain refurbishment and renovation work for enhancing the quality and value of the Group's investment properties. For i-CABLE and Wharf T&T, the capital expenditures were mainly for network upgrade and expansion, as well as procurement of TV production facilities while those for Modern Terminals were substantially incurred for construction of the Taicang Phase II ports. i-CABLE and Modern Terminals, respectively 73.6% and 67.6% owned by the Group, funded their own capital expenditure programmes.

The Group also had planned expenditure and other commitments as at June 30, 2006 of approximately HK\$3.3 billion (31/12/2005: HK\$3.5 billion) for the trading properties under development mainly in China, HK\$1.2 billion committed by Modern Terminals for its investment in Taicang and Dachan Bay port projects and HK\$0.5 billion mainly for i-CABLE's own programming expenditures.

## Debts and Gearing

The Group's net debt increased from HK\$16.1 billion as at December 31, 2005 to HK\$16.4 billion as at June 30, 2006, which was made up of HK\$19.5 billion in debts less HK\$3.1 billion in deposits and cash. Included in the Group's debts were loans of HK\$3.6 billion (31/12/2005: HK\$3.2 billion) borrowed by Modern Terminals, which were without recourse to the Company and other subsidiaries of the Group.

As at June 30, 2006, the ratio of net debt to shareholders' equity was 23.2% and to total equity was 22.1%, compared to 24.6% and 23.4% (restated) as at December 31, 2005, respectively.

## Finance and Availability of Facilities

With strong recurrent operating cash inflow and ample market liquidity, the Group continued to raise funds at competitive interest rates in domestic market. During the first half of 2006, the Group cancelled some loan facilities with higher interest margins and/or shorter maturity and refinance them on more favourable terms. This enabled the Group to further reduce its average borrowing margin.

The Group's available loan facilities and debt securities amounted to HK\$28.1 billion, of which HK\$19.5 billion were outstanding as at June 30, 2006 analysed as below:

	30/6/2006			
	Available Facility HK\$ Billion	Total Debts HK\$ Billion		Undrawn Facility HK\$ Billion
<b>Company/wholly-owned subsidiaries</b>				
Committed facilities	17.2	13.4	69%	3.8
Uncommitted facilities	2.3	1.0	5%	1.3
	19.5	14.4	74%	5.1
<b>Non wholly-owned subsidiaries</b>				
Committed and uncommitted				
– Modern Terminals Limited	7.3	4.6	24%	2.7
– i-CABLE Communications Limited	0.7	–	–	0.7
– Others	0.6	0.5	2%	0.1
	28.1	19.5	100%	8.6

As at June 30, 2006, only HK\$126 million of debts of the Group was secured by mortgage over a property under development with carrying value of HK\$371 million (31/12/2005: HK\$345 million).

Debts of the Group were primarily denominated in Hong Kong and US dollars. All US dollar loans have been effectively swapped into Hong Kong dollar loans by forward exchange contracts.

The use of derivative financial instruments was strictly controlled. The majority of the derivative financial instruments entered into by the Group were used to manage the Group's interest rate exposures.

The Group maintained a reasonable level of surplus cash to facilitate its business and investment activities. As at June 30, 2006, the Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with a market value of HK\$2.4 billion.

## Human Resources

The Group has approximately 12,437 employees as at June 30, 2006, as compared to 12,629 as at December 31, 2005. Employees were remunerated according to nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the six months ended June 30, 2006 amounted to HK\$1,158 million, compared to HK\$1,086 million for the same period in 2005.

## Code on Corporate Governance Practices

During the financial period under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals with a substantial number thereof being independent Non-executive Directors.

# Consolidated Profit and Loss Account

For the six months ended June 30, 2006

	Note	Unaudited 30/06/2006 HK\$ Million	Unaudited 30/06/2005 HK\$ Million
Turnover	2	<b>6,449</b>	6,179
Other net income	4	<b>84</b>	–
Direct costs and operating expenses		<b>(2,292)</b>	(2,089)
Selling and marketing expenses		<b>(359)</b>	(290)
Administrative and corporate expenses		<b>(274)</b>	(285)
Operating profit before depreciation, amortisation, interest and tax		<b>3,608</b>	3,515
Depreciation and amortisation		<b>(590)</b>	(607)
Operating profit	2 & 3	<b>3,018</b>	2,908
Increase in fair value of investment properties		<b>5,328</b>	8,691
Borrowing costs	5	<b>8,346</b>	11,599
Share of profits less losses of associates	6	<b>(412)</b>	(180)
Share of losses of jointly controlled entities		<b>38</b>	102
Profit before taxation		<b>(1)</b>	(7)
Taxation	7(c)	<b>7,971</b>	11,514
Profit for the period		<b>(1,414)</b>	(2,027)
Attributable to:		<b>6,557</b>	9,487
Shareholders		<b>6,259</b>	9,035
Minority interests		<b>298</b>	452
Interim dividend declared after the balance sheet date	8	<b>6,557</b>	9,487
Earnings per share		<b>881</b>	881
Basic	9	<b>HK\$2.56</b>	HK\$3.69
Diluted	9	<b>HK\$2.56</b>	HK\$3.69
Interim dividend per share	8	<b>36.0 cents</b>	36.0 cents

# Consolidated Balance Sheet

As at June 30, 2006

	Note	Unaudited 30/06/2006 HK\$ Million	Audited 31/12/2005 HK\$ Million (restated)
<b>Non-current assets</b>			
Fixed assets			
Investment properties		84,070	78,224
Leasehold land		1,878	1,430
Other properties, plant and equipment		11,527	11,004
		<b>97,475</b>	90,658
Goodwill		303	297
Interest in associates		1,124	1,638
Interest in jointly controlled entities		763	896
Available-for-sale investments		2,400	1,677
Long term receivables		376	410
Programming library		169	143
Deferred tax assets		432	468
Defined benefit pension scheme assets		148	150
Derivative financial assets		12	54
		<b>103,202</b>	96,391
<b>Current assets</b>			
Inventories		4,490	4,488
Trade and other receivables	10	1,225	1,105
Derivative financial assets		23	–
Deposits and cash		3,137	2,508
		<b>8,875</b>	8,101
<b>Current liabilities</b>			
Trade and other payables	11	(4,476)	(4,848)
Short term loans and overdrafts		(6,509)	(4,403)
Derivative financial liabilities		(3)	(14)
Taxation payable		(642)	(608)
		<b>(11,630)</b>	(9,873)
<b>Net current liabilities</b>		<b>(2,755)</b>	(1,772)
<b>Total assets less current liabilities</b>		<b>100,447</b>	94,619

# Consolidated Balance Sheet (continued)

As at June 30, 2006

	Note	Unaudited 30/06/2006 HK\$ Million	Audited 31/12/2005 HK\$ Million (restated)
<b>Non-current liabilities</b>			
Long term loans		(13,050)	(14,155)
Deferred taxation		(12,627)	(11,672)
Other deferred liabilities		(260)	(263)
Derivative financial liabilities		(25)	(3)
		<b>(25,962)</b>	(26,093)
<b>NET ASSETS</b>		<b>74,485</b>	68,526
<b>Capital and reserves</b>			
Share capital	12	2,448	2,448
Reserves		68,444	62,926
<b>Shareholders' equity</b>	13	<b>70,892</b>	65,374
<b>Minority interests</b>	13	<b>3,593</b>	3,152
<b>TOTAL EQUITY</b>		<b>74,485</b>	68,526

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2006

	Note	Unaudited 30/06/2006 HK\$ Million	Unaudited 30/06/2005 HK\$ Million (restated)
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Total equity as at January 1 as previously reported			
Shareholders' equity		65,313	54,909
Minority interests		3,116	3,675
		<b>68,429</b>	58,584
Prior year adjustment for HKAS 19	1	97	70
Total equity as restated		<b>68,526</b>	58,654
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Net gains/(losses) not recognised in the consolidated profit and loss account			
As previously stated			(463)
Prior year adjustment for HKAS 19			2
As restated		639	(461)
Investments revaluation reserves transferred to the consolidated profit and loss account on disposal of available-for-sale investments		(3)	(2)
Profit for the period		6,557	9,487
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Total recognised income for the period			
Shareholders		6,620	8,745
Minority interests		573	279
		<b>7,193</b>	9,024
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Final dividend approved in respect of the previous year		(1,077)	(881)
Dividend paid to minority interests		(160)	(287)
Exercise of share options		3	–
Total equity as at June 30		<b>74,485</b>	66,510
<hr/>			
Attributable to:			
Shareholders		70,892	62,803
Minority interests		3,593	3,707
		<b>74,485</b>	66,510
<hr/>			



# Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2006

	<b>Unaudited 30/06/2006 HK\$ Million</b>	Unaudited 30/06/2005 HK\$ Million
Net cash generated from operating activities	<b>1,724</b>	2,752
Net cash used in investing activities	<b>(655)</b>	(1,052)
Net cash used in financing activities	<b>(284)</b>	(1,758)
Increase/(decrease) in cash and cash equivalents	<b>785</b>	(58)
Cash and cash equivalents at January 1	<b>2,352</b>	2,209
Cash and cash equivalents at June 30	<b>3,137</b>	2,151
Analysis of the balance of cash and cash equivalents		
Deposits and cash	<b>3,137</b>	2,151

# Notes to the Financial Statements

## 1. Basis of Preparation of the Financial Statements

These unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure provisions of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those described in the annual financial statements for the year ended December 31, 2005 except for the change described below:

### HKAS 19 “Employee benefits”

In prior years, in calculating the Group’s obligation in respect of a defined benefit pension scheme, if any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

With effect from January 1, 2006, the Group adopted retrospectively the alternative recognition policy in the amendment to HKAS 19 under which all actuarial gain or loss of all defined benefit pension schemes can be recognised outside profit or loss. Shareholders’ equity as at January 1, 2006 and January 1, 2005 was restated and increased by HK\$61 million and HK\$30 million respectively and minority interests as at January 1, 2006 and January 1, 2005 was restated and increased by HK\$36 million and HK\$40 million respectively. This change has no significant impact on the Group’s results.

## 2. Segment Information

### a. Business segments

Revenue and results	Segment revenue		Segment results	
	30/06/2006 HK\$ Million	30/06/2005 HK\$ Million (restated)	30/06/2006 HK\$ Million	30/06/2005 HK\$ Million (restated)
Property investment	<b>2,718</b>	2,475	<b>1,915</b>	1,728
Hong Kong	<b>2,110</b>	1,946	<b>1,694</b>	1,561
China	<b>157</b>	144	<b>64</b>	49
Hotels	<b>451</b>	385	<b>157</b>	118
Communication, media and entertainment ("CME")	<b>1,959</b>	1,948	<b>141</b>	258
Pay television	<b>966</b>	948	<b>98</b>	195
Internet and multimedia	<b>296</b>	279	<b>68</b>	31
Telecommunications	<b>681</b>	719	<b>(4)</b>	39
Others	<b>16</b>	2	<b>(21)</b>	(7)
Logistics	<b>1,609</b>	1,736	<b>830</b>	949
Terminals	<b>1,407</b>	1,555	<b>749</b>	891
Others	<b>202</b>	181	<b>81</b>	58
	<b>6,286</b>	6,159	<b>2,886</b>	2,935
Property development	<b>178</b>	4	<b>(10)</b>	(6)
Investment and others	<b>148</b>	109	<b>274</b>	83
Inter-segment revenue (Note)	<b>(163)</b>	(93)	<b>-</b>	-
	<b>6,449</b>	6,179	<b>3,150</b>	3,012
Unallocated income and expenses			<b>(132)</b>	(104)
Operating profit			<b>3,018</b>	2,908
Increase in fair value of investment properties			<b>5,328</b>	8,691
			<b>8,346</b>	11,599
Borrowing costs			<b>(412)</b>	(180)
Associates			<b>38</b>	102
Property development			<b>(5)</b>	45
Terminals			<b>43</b>	55
Investment and others			<b>-</b>	2
Jointly controlled entities				
Terminals			<b>(1)</b>	(7)
Profit before taxation			<b>7,971</b>	11,514

Note: Inter-segment revenue eliminated on consolidation includes:

	<b>30/06/2006</b>	30/06/2005
	<b>HK\$ Million</b>	HK\$ Million
		(restated)
Property investment	<b>44</b>	40
CME	<b>119</b>	52
Investment and others	<b>–</b>	1
	<b>163</b>	93

## b. Geographical segments

During the period, more than 90% of the Group's revenue and operating results were generated in Hong Kong.

## 3. Operating Profit

Operating profit is arrived at:

	<b>30/06/2006</b>	30/06/2005
	<b>HK\$ Million</b>	HK\$ Million
<b>After charging:</b>		
Depreciation		
– assets held for use under operating leases	<b>43</b>	37
– other fixed assets	<b>490</b>	516
	<b>533</b>	553
Amortisation		
– programming library	<b>45</b>	38
– leasehold land	<b>12</b>	16
	<b>590</b>	607
Total depreciation and amortisation		
Staff costs including retirement scheme costs		
HK\$47 million (2005: HK\$43 million)	<b>1,158</b>	1,086
Auditors' remuneration		
– audit services	<b>5</b>	4
– other services	<b>1</b>	1
Cost of properties sold during the period	<b>167</b>	3
<b>and crediting:</b>		
Rental income less direct outgoings, including:	<b>1,832</b>	1,697
Contingent rentals	<b>152</b>	100
Interest income	<b>71</b>	25
Dividend income from listed investments	<b>48</b>	39
Dividend income from unlisted investments	<b>60</b>	50

## 4. Other Net Income

Other net income mainly represents net profit on disposal of available-for-sale investments which included a revaluation surplus of HK\$3 million (2005: HK\$Nil) transferred from the investments revaluation reserves.

## 5. Borrowing Costs

	30/06/2006 HK\$ Million	30/06/2005 HK\$ Million
Interest on:		
Bank loans and overdrafts	229	75
Other loans repayable within five years	163	112
Other loans repayable over five years	31	7
Other borrowing costs	7	(8)
	<b>430</b>	186
Less: Amount capitalised	<b>(18)</b>	(6)
Net borrowing costs for the period	<b>412</b>	180

The Group's average borrowing cost for the period was 4.7% per annum (2005: 2.6% per annum).

## 6. Share of Profits less Losses of Associates

Share of profits less losses of associates for both periods mainly comprises attributable profits arising on disposal of Sorrento and Bellagio residential units and contribution from terminals operations.

## 7. Taxation

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5% (2005: 17.5%).
- b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.
- c. Taxation in the consolidated profit and loss account represents:

	30/06/2006 HK\$ Million	30/06/2005 HK\$ Million
<b>Current tax</b>		
Hong Kong profits tax	368	372
Underprovision in respect of prior years	54	61
	<b>422</b>	433
Overseas taxation	1	1
	<b>423</b>	434
<b>Deferred tax</b>		
Change in value of investment properties	941	1,544
Origination and reversal of temporary differences	50	49
	<b>991</b>	1,593
	<b>1,414</b>	2,027

- d. None of the taxation payable in the balance sheet is expected to be settled after more than one year.
- e. Share of associates' tax for the six months ended June 30, 2006 of HK\$2 million (2005: HK\$4 million) is included in the share of profits less losses of associates.

## 8. Dividends

### a. Dividends attributable to the period

	<b>30/06/2006</b>	30/06/2005
	<b>HK\$ Million</b>	HK\$ Million
Proposed after the balance sheet date: 36 cents (2005: 36 cents) per share	<b>881</b>	881

The above interim dividends were proposed after the balance sheet dates and have not been recognised as liabilities at the respective balance sheet dates.

### b. Dividends attributable to the previous financial year, approved and paid during the period

	<b>30/06/2006</b>	30/06/2005
	<b>HK\$ Million</b>	HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 44 cents (2005: 36 cents) per share	<b>1,077</b>	881

## 9. Earnings per Share

The calculation of earnings per share is based on the earnings attributable to shareholders in the amount of HK\$6,259 million (30/06/2005: HK\$9,035 million) for the period and the weighted average of 2,448 million (30/06/2005: 2,447 million) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on earnings attributable to shareholders in the amount of HK\$6,259 million (30/06/2005: HK\$9,035 million) for the period and the weighted average of 2,448 million (30/06/2005: 2,447 million) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

The existence of unexercised options during the period ended June 30, 2006 has no dilutive effect on the calculation of diluted earnings per share for the period ended June 30, 2006.

## 10. Trade and Other Receivables

Included in this item are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at June 30, 2006 as follows:

	<b>30/06/2006</b>	31/12/2005
	<b>HK\$ Million</b>	HK\$ Million
Trade debtors		
0 – 30 days	<b>200</b>	346
31 – 60 days	<b>328</b>	220
61 – 90 days	<b>115</b>	45
Over 90 days	<b>113</b>	61
	<b>756</b>	672
Other receivables	<b>469</b>	433
	<b>1,225</b>	1,105

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for pre-sale proceeds of properties under development, which are receivable upon completion of the properties under development.

## 11. Trade and Other Payables

Included in this item are trade creditors with an ageing analysis as at June 30, 2006 as follows:

	<b>30/06/2006</b>	31/12/2005
	<b>HK\$ Million</b>	HK\$ Million
Trade creditors		
0 – 30 days	<b>180</b>	281
31 – 60 days	<b>74</b>	373
61 – 90 days	<b>31</b>	57
Over 90 days	<b>150</b>	168
	<b>435</b>	879
Other payables	<b>4,041</b>	3,969
	<b>4,476</b>	4,848

## 12. Share Capital

	<b>30/06/2006</b>	31/12/2005	<b>30/06/2006</b>	31/12/2005
	<b>No. of shares</b>	No. of shares	<b>HK\$ Million</b>	HK\$ Million
	<b>Million</b>	Million		
Authorised				
Ordinary shares of HK\$1 each	<b>3,600</b>	3,600	<b>3,600</b>	3,600
Issued and fully paid				
Ordinary shares of HK\$1 each	<b>2,448</b>	2,448	<b>2,448</b>	2,448

## 13. Capital and Reserves

	Shareholders' equity								
	Share capital	Share premium	Capital redemption reserves	Investments revaluation reserves	Other capital reserves	Revenue reserves	Total shareholders' equity	Minority interest	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million	Million	Million	Million
<b>a. Company and subsidiaries</b>									
Balance at January 1, 2006									
– as previously reported	2,448	7,746	7	502	63	54,084	64,850	3,116	67,966
Prior year adjustments for HKAS 19 (Note 1)	–	–	–	–	–	61	61	36	97
As restated	2,448	7,746	7	502	63	54,145	64,911	3,152	68,063
Surplus on revaluation of available-for-sale investments	–	–	–	352	–	–	352	62	414
Transfer to the consolidated profit and loss account on disposal of available-for-sale investments	–	–	–	(3)	–	–	(3)	–	(3)
Others	–	–	–	–	(14)	(1)	(15)	241	226
Profit for the period	–	–	–	–	–	6,222	6,222	298	6,520
Dividends approved in respect of the previous year	–	–	–	–	–	(1,077)	(1,077)	–	(1,077)
Dividend paid to minority interests	–	–	–	–	–	–	–	(160)	(160)
Exercise of share options	–	3	–	–	–	–	3	–	3
Balance at June 30, 2006	2,448	7,749	7	851	49	59,289	70,393	3,593	73,986
<b>b. Associates/jointly controlled entities</b>									
Balance at January 1, 2006	–	–	–	–	7	456	463	–	463
Profit for the period	–	–	–	–	–	37	37	–	37
Others	–	–	–	–	(1)	–	(1)	–	(1)
Balance at June 30, 2006	–	–	–	–	6	493	499	–	499
<b>Total reserves</b>									
<b>At June 30, 2006</b>	<b>2,448</b>	<b>7,749</b>	<b>7</b>	<b>851</b>	<b>55</b>	<b>59,782</b>	<b>70,892</b>	<b>3,593</b>	<b>74,485</b>
At December 31, 2005 (restated)	2,448	7,746	7	502	70	54,601	65,374	3,152	68,526



## 14. Material Related Party Transactions

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transactions during the period ended June 30, 2006:

- a. Loans totalling HK\$694 million (31/12/2005: HK\$1,153 million) advanced by the Group to an associate involved in the Bellagio property development project are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1997 and 1994 from complying with the relevant connected transaction requirements. The net interest earned by the Group from these loans during the period is not material in the context of these financial statements.
- b. In respect of the period ended June 30, 2006, the Group earned rental income totalling HK\$132 million (2005: HK\$96 million) from various tenants which are wholly-owned by, or are non wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

## 15. Contingent Liabilities

As at June 30, 2006, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$23,489 million (31/12/2005: HK\$24,216 million).

## 16. Commitments

	30/06/2006 HK\$ Million	31/12/2005 HK\$ Million
<b>a. Capital commitments</b>		
Authorised and contracted for	3,163	1,143
Authorised but not contracted for	2,595	3,099
	<b>5,758</b>	4,242
<b>b. Programming and other commitments</b>		
Authorised and contracted for	426	581
Authorised but not contracted for	83	80
	<b>509</b>	661
<b>c. Properties under development for sale</b>		
Authorised and contracted for	913	855
Authorised but not contracted for	2,379	2,654
	<b>3,292</b>	3,509
<b>d. Commitment for acquisition of investments</b>		
Authorised and contracted for	1,171	1,874

The above commitment for acquisition of investments of HK\$1,171 million at June 30, 2006 mainly represented Modern Terminals' equity investment commitment for Dachan Bay port project.

## 17. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended June 30, 2006 have been reviewed with no disagreement by the Audit Committee of the Company.

# Compliance with the Model Code for Directors' Dealing in Securities

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

## Directors' Interests in Shares

At June 30, 2006, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company and of two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Modern Terminals Limited ("Modern Terminals"), and the percentages which the relevant shares represented to the issued share capitals of the Company, i-CABLE and Modern Terminals respectively are also set out below:

	No. of Ordinary Shares (Percentage of Issued Capital)	Nature of Interest
<b>The Company</b>		
Mr Gonzaga W J Li	686,549 (0.0280%)	Personal interest
Mr Stephen T H Ng	650,057 (0.0266%)	Personal interest
Mr T Y Ng	178,016 (0.0073%)	Personal interest
<b>i-CABLE</b>		
Mr Gonzaga W J Li	68,654 (0.0034%)	Personal interest
Mr Stephen T H Ng	1,065,005 (0.0527%)	Personal interest
Mr T Y Ng	17,801 (0.0009%)	Personal interest
<b>Modern Terminals</b>		
Mr Hans Michael Jebsen	3,787 (5.40%)	Corporate interest

*Note: The 3,787 shares regarding "Corporate Interest" in which Mr Hans Michael Jebsen was taken to be interested as stated above was the interest held by corporations in general meetings of which Mr Jebsen was either entitled to exercise (or was taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power.*

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Share Option Scheme (the "Scheme") of the Company held by Directors of the Company during the financial period:

Name of Director	Date granted (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding as at 01/01/2006	No. of ordinary shares represented by unexercised options outstanding as at 30/06/2006	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)	Consideration paid for the options granted (HK\$)
Ms Doreen Y F Lee	01/03/2003	40,000	40,000	01/08/2005 to 31/07/2006	25.00	1.00

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at June 30, 2006 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

## Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at June 30, 2006, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (Percentage of Issued Capital)	
(i) Lynchpin Limited	171,974,029	(7.03%)
(ii) Star Attraction Limited	171,974,029	(7.03%)
(iii) Wheelock Properties Limited	173,652,029	(7.09%)
(iv) Myers Investments Limited	173,652,029	(7.09%)
(v) Wheelock Corporate Services Limited	173,652,029	(7.09%)
(vi) WF Investment Partners Limited	1,051,765,051	(42.97%)
(vii) Wheelock and Company Limited	1,222,896,080	(49.96%)
(viii) HSBC Trustee (Guernsey) Limited	1,222,896,080	(49.96%)
(ix) JPMorgan Chase & Co.	146,448,525	(5.98%)

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (viii) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv), (iv) in (v), (v) in (vi), (vi) in (vii) and (vii) in (viii).*

All the interests stated above represented long positions and as at June 30, 2006, there were no short positions recorded in the Register.

## Share Option Scheme

Details of share options granted to Director(s) of the Company are set out in the section headed "Directors' interests in shares".

Set out below are particulars and movements during the financial period of the Company's outstanding share options which were granted to 12 employees (one of them being a Director of the Company), all of whom are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

Date granted (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding as at 01/01/2006	No. of ordinary shares represented by options lapsed/ exercised during the financial period	No. of ordinary shares represented by unexercised options outstanding as at 30/06/2006	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
01/08/1996	200,000	134,000	66,000	01/08/1996 to 31/07/2006	25.00

The weighted average closing price of the Shares of the Company immediately before the dates of all exercises by employees of the Company's share options during the financial period was HK\$28.5 per share.

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the period under review.

## Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

## Book Closure

The Register of Members will be closed from Friday, October 6, 2006 to Friday, October 13, 2006, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, October 5, 2006.

By Order of the Board

**Wilson W S Chan**

*Secretary*

Hong Kong, August 23, 2006

*As at the date of this interim report, the Board of Directors of the Company comprises Mr Peter K C Woo, Mr Gonzaga W J Li, Mr Stephen T H Ng, Ms Doreen Y F Lee and Mr T Y Ng, together with six independent Non-executive Directors, namely, Mr Paul M P Chan, Professor Edward K Y Chen, Dr Raymond K F Ch'ien, Hon Vincent K Fang, Mr Hans Michael Jebsen and Mr James E Thompson.*