

**FINANCIAL REVIEW**

The Group's turnover was HK\$296.2 million for the first six months of 2005, an increase of 61% over the corresponding period in 2004. 54% (2004: 46%) of the Group's turnover was generated by the sale of properties. During the period under review, revenue from hotel and club operations amounted to HK\$127.7 million, an increase of 39% as compared to HK\$92.1 million in the corresponding period in 2004. A profit attributable to equity holders of the Company of HK\$91.2 million was reported as compared to HK\$32.3 million for the corresponding period in 2004.

As of 30 June 2005, the Group had total bank loans and other borrowings of HK\$438.7 million whilst cash equivalents amounted to HK\$483.6 million. Accordingly, the ratio of net borrowings to total assets was not applicable. Of the total amount of bank borrowings of HK\$240.0 million, HK\$102.7 million are repayable within twelve months and the remaining amounts of HK\$93.2 million and HK\$44.2 million are repayable within two to five years and after five years respectively.

The Group's borrowings are mostly in Hong Kong dollars and United States dollars. Cash and cash equivalents are mostly in Hong Kong dollars, Euros, Australian dollars and United States dollars. Most of the Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Directors believe the Group has sufficient working capital for its present requirements.

**PLEDGE OF ASSETS**

As at 30 June 2005, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties, including investment properties, other properties, a hotel property and properties held for sale with an aggregate carrying value of approximately HK\$924.0 million.

**CONTINGENT LIABILITIES**

At 30 June 2005, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000.

At 30 June 2005, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK\$134,451,000 and HK\$65,503,000 respectively.

At 30 June 2005, a joint and several guarantee to the extent of HK\$31,705,000 was given by the Company and a subsidiary to a bank to secure banking facilities made available to its associate.

To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2005, the guarantee granted by the subsidiary amounted to HK\$62,120,000.

**CONTINGENT LIABILITIES** (continued)

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to complete the remaining phase of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 16(e) on the interim financial report. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The remaining phase of the development project was completed prior to 4 September 2005. An application has been put forward to relevant local authorities to effect the issuance of the occupation permit. At the date of this report, the occupation permit has not been issued by the local authorities.

**PROSPECTS**

On the back of strong performance of the Macau economy, selling price of properties in Macau has increased significantly in 2004 and the first half of 2005. The Group took advantage of market conditions and achieved satisfactory sales results in the first half of 2005. The market has since then consolidated. Medium to long-term prospects for the property market, however, remain optimistic.

The Group expects to continue to benefit from the robust economies of Asia, particularly in China and Vietnam where the Group operates and where significant economic growth rates continue to be achieved.

**PERSONNEL**

At 30 June 2005, the Group had approximately 1,610 employees. A policy of localizing as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experience being available. Salary and remuneration are competitive and are based on varying conditions of human resources in the different countries in which the Company and its subsidiaries operate.

**CORPORATE GOVERNANCE**

To maintain a solid, balanced and sensible framework of corporate governance has been one of the Company's priorities.

The Hong Kong Stock Exchange had promulgated a new Code on Corporate Governance Practices (the "Code") which became effective as at 1 January 2005.

The Company therefore conducted a review of its corporate governance regime and framework during the period, and will continue to do so, with a view towards ensuring that such practices are in line with evolving regulatory developments and market expectations.