Quality HealthCare Asia Limited 卓健亞洲有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 593)

ANNOUNCEMENT OF 2006 INTERIM RESULTS

CHAIRMAN'S STATEMENT

I am pleased to report that the Group has continued to deliver growth in its overall profits in the first six months of 2006. All three core healthcare divisions, including medical services, associated health services and elderly services, were profitable.

During the reporting period, the profit contribution from Quality HealthCare Medical Services ("QHMS") increased by 22.1%, whilst the profit contribution from Quality HealthCare Services ("QHS") increased by 11.8%. Quality HealthCare Elderly Services ("QHES") demonstrated an increase in profit contribution by 74.0%.

FINANCIAL REVIEW

For the six months period ended 30 June 2006, the Group reported total revenue of HK$439.6 million, an increase of 9.1%, compared to HK$403.0 million for the same period last year. Profit attributable to equity holders of the Company was HK$31.8 million, an increase of 37.0%, compared to HK$23.2 million in the comparative period in the prior year.

Basic earnings per share for the first half of 2006 were HK16.2 cents. The Board has declared an interim dividend of HK3.25 cents per share for the period under review.

Finance costs for the Group amounted to approximately HK$1,000 for the reporting period.

The Group's positive net cash position was increased by 8.8% from HK$116.6 million at 31 December 2005 to HK$126.9 million at 30 June 2006. Net cash inflow from operating activities amounted to HK$21.1 million for the six months ended 30 June 2006.

BUSINESS REVIEW

Quality HealthCare Medical Services ("QHMS")

Western Medicine, Chinese Medicine

During the period, QHMS reported a 22.1% increase in operating profit, whilst revenue increased by 9.7%. Total revenue of QHMS for the six months was approximately HK$352.5 million, compared with approximately HK$321.2 million for the corresponding period last year, and operating profit increased by 22.1% to approximately HK$31.3 million, from approximately HK$25.6 million in the corresponding period last year. This was driven by an increase in the number of corporate contracts and enrolment, increased insurance enrolment, and improved operational efficiencies.

The focus of the QHMS management team for the first six months of 2006 has been the delivery of customer-centric services and to ensure that our customers have a positive experience at our facilities. Internally, we have worked intensively on the implementation of an objective approach to set measurable performance indicators and targets for improvement in productivity, process and skills.

Facilities Management

We continued to devote our efforts towards the improvement of the facilities available at our medical centres as well as their ambience. To match our clients needs, we relocated and expanded one of our medical centres in the New Territories in March 2006, and established a new medical centre in the Hong Kong East area in May 2006. In July 2006, we completed a major relocation and renovation project of our prime medical centre in Admiralty, expanding it to a General Practice centre, a Specialist centre, and a fully equipped Physical Checkup centre. Similar projects will be continued in the second half of 2006 with the focus on enhancing operational efficiency and patient care.

Empowering People

Through the adoption of the Balanced Scorecard approach, managers and general staff are empowered with a tool to systematically identify gaps in service delivery and subsequently develop plans to close these gaps at their appropriate levels. In addition, efforts are continuing to more closely align initiatives in all departments with the goals of QHMS and to put in place productivity measuring procedures. We continue to adopt a learning culture in the organization, and the management team and department heads completed a series of training sessions on team building and effective communication. We have also extended our Continuous Medical Education programs to include doctors within our affiliated network.

Service Re-engineering

The delivery of patient-centric services has been our priority in 2006 and our efforts have initially been concentrated on the Prince's Building Medical Centre. We have appointed a customer service consultant to identify and analyze any perceived deficiencies in the frontline services. Changes were implemented including the setting up of an electronic appointment system, the re-design of patient and work flows, and the implementation of a laboratory information system, to allow staff more time to take care of our patients. Customer service training was also provided to equip our staff with the right skills and mindset to meet the needs of our customers. Key performance indicators are being developed to assist the frontline staff to monitor their progress. These service improvement protocols will subsequently be rolled out to other major medical centres in the coming months, and we will continue to gather feedback from our clients on our performance. Our analysis of client feedback indicates that client satisfaction is improving.

Business Contingency Planning

In response to the concern of World Health Organization regarding a possible outbreak of an avian flu pandemic, QHMS embarked on business contingency planning to mitigate business risks as well as to enhance the safety and well being of our staff. This business contingency planning is designed to develop plans to ensure critical business functions can continue with minimal disruptions should an avian flu pandemic occur. We will actively communicate with all our corporate clients and business partners to ensure we continue to provide the best possible support for their staff members and customers in regard to any possible pandemic.

Growth Initiatives

QHMS continues to expand its strengths in scheme administration, complementing our well-developed expertise in managing corporate healthcare. We aim not only to be the preferred service provider, but also the preferred scheme administrator for our clients.

We continue to develop various health and wellness products that are suitable for our clients through their working years to retirement. With the increased interest of our clients in leading a healthy and active lifestyle, we will continue to expand our preventive healthcare services such as physical checkup centres to allow a one-stop service for our clients as well as expansion of our integrated primary and secondary health plans.

Chinese Medicine

Quality HealthCare Chinese Medicine ("QHCM") achieved a 10% increase in the total number of corporate contracts in the first six months of 2006. Further expansion plans will continue in the coming months for the Chinese Medicine network in synergy with the expansion of QHMS network.

The Bill for the recognition of sick leave certificates issued by registered Chinese Medicine practitioners passed the third reading in the Legislative Council on 28 June 2006, and the Government will further consult with the Labour Advisory Board to finalise the implementation date. We believe that this will be a catalyst for the further growth of our Chinese Medicine services as more corporations will be interested in including this service into their staff medical schemes.

Quality HealthCare Services ("QHS")

Dental, Nursing Agency, Physiotherapy, LASIK & Ophthalmic Services and Psychological Services

The six-month total revenue of QHS increased by 15.5% to HK$49.6 million, from HK$42.9 million in the same period in 2005. Operating profit also rose by 11.8% to HK$3.59 million from HK$3.21 million in the same period in 2005.

Dental: Quality HealthCare Dental ("QHD") continued to register growth in both corporate and cash clients in the first six months of 2006, and experienced an increase in both general practice and specialty dental services.

QHD plans to expand its presence in the Admiralty area with the opening of its new centre in July 2006 together with QHMS, and further expansion and renovation will continue in the second half of 2006. At the same time, QHD will explore the feasibility of upgrading and enhancing its software program and computer hardware to optimize operational efficiency.

Nursing Agency: Quality Healthcare Nursing Agency ("QHNA") showed strong and stable growth in the first six months of 2006 despite severe shortages of registered and enrolled nurses in the market. QHNA has achieved very strong growth in staff relief services as a cost-efficient care delivery solution for the NGO's Care and Attention Homes and Nursing Homes. In addition, QHNA has also developed a strong network amongst hotels to provide quality and trustworthy nursing babysitting services for their patrons.

QHNA continues to work with pharmaceutical companies in their research projects and participates in the training of carers organized by the Re-training Board. Meanwhile, QHNA will continue to focus its marketing efforts on the private wards of Hospital Authority and the new wings at various private hospitals.

Physiotherapy: Quality HealthCare Physiotherapy ("QHP") continued to experience an increase in the number of clients in the first six months of 2006. The Central centre was relocated and expanded in March 2006 to cater for the growing demand, and the ambience was improved to improve the customer experience. Facilities were also upgraded to allow the provision of a wider range of services such as Pilates training.

QHP participated in the Public Private Partnership project conducted by Hospital Authority, New Territories East Cluster, and successfully won the tender for conducting evening and weekend physiotherapy services at the physiotherapy department of the Prince of Wales Hospital. Services have commenced in July 2006. This is an important milestone and QHP will continue to participate in similar future projects that permit different segments of clients to enjoy increased choice and convenience.

LASIK & Ophthalmic Services: The LASIK centre was relocated and expanded into a comprehensive Eye Centre in January 2006. In addition to the LASIK services and eye examination, this centre is fully equipped with an operating theatre for conducting cataract and other eye surgeries.

Psychological Services: Our Employee Assistance Program is becoming more popular amongst corporations as a proactive way of enhancing staff productivity and providing support for staff with emotional problems. Accordingly we set up a Holistic Health Centre in March 2006. Our team of psychologists can offer our clients a 24-hour hotline, telephonic and face-to-face counseling, and training programs to assist our clients.

Our psychologists also work in collaboration with our dietitians, physiotherapists and medical team to provide wellness programs for the staff of our corporate clients.

Quality HealthCare Elderly Services ("QHES")

Trusted Provider of Residential Elderly Care

QHES reported total revenue of HK$52.3 million for the first six months of 2006, an increase of 2.3% compared with HK$51.1 million for the corresponding period last year. Operating performance improved significantly from a net profit of HK$3.0 million for first six months last year to a net profit of HK$5.2 million for same period this year, an increase of 74.0%. QHES benefited from a reduction in depreciation charges as furniture and fixtures in our elderly homes approach the end of their depreciation periods.

We experienced a slight decline in the overall occupancy of our homes from approximately 78% at the beginning of the year to approximately 76% in early July 2006. One of the reasons for the decline has been the acceleration of the migration of residents on the waiting list to Enhanced Bought Place Scheme Homes. During the reporting period, there was a record number of cases of Norovirus outbreak in Hong Kong with majority of these cases occurring in elderly care homes. This negative sentiment has reduced the general occupancy rate of the industry. In addition, there continues to be a shortage of nurses in the market.

Despite the operating difficulties, QHES has continued to focus on enhancing customer loyalty through quality assurance activities such as annual staff training, regular supervision by management, and night visits by Home Managers to uplift the standard of care to the residents. Special marketing programs are conducted at different sites and changes in the market such as demographics and client preferences are closely monitored to customize the homes as much as possible.

PEOPLE

The dedication and loyalty of every one of our doctors, frontline staff, management team and head office staff members, has contributed to the success of the Group, as reflected by the encouraging results achieved during the reporting period. The Group's priority and long-term strategy is to invest in our people and provide them with the appropriate working environment, together with growth opportunities and career development.

OUTLOOK

Quality HealthCare has developed a solid service platform for the delivery of healthcare services and the administration of same in the private sector in Hong Kong. We believe that quality healthcare at an affordable price is our key to continuing success. Notwithstanding the significant increases in rentals, wages and costs of services, we will continue to seek efficiencies to keep healthcare costs down and we remain committed to a continual increase in productivity. We believe that our clients and patients do not wish to compromise their health and safety and will liaise with us in addressing the increased cost pressures. We will continue to work with our healthcare partners and corporate clients in providing seamless care to their clients and staff members, and to develop an innovative range of wellness programs and other medical advisory services for all our clients.

Quality HealthCare continues to support the Government's initiatives in healthcare reform, and to embrace opportunities presented in different Public Private Initiatives. We will work together with all our partners in the healthcare industry to uphold the high standard of medical care in Hong Kong, and to provide our citizens with access, choice, and quality healthcare.

GROUP RESULTS

The board of directors (the "Board" or the "Directors") of Quality HealthCare Asia Limited (the "Company") herein presents the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2006 together with comparative amounts for the relevant corresponding period. These interim results have not been audited, but have been reviewed by the Company's auditors and audit committee.

Interim Condensed Consolidated Income Statement – Unaudited

For the six months ended 30 June 2006

	Notes	For the six months ended 30 June 2006 HK$'000	2005 HK$'000
Revenue#	2	**439,600**	402,955
Other income and gains		**6,832**	4,113
Changes in inventories of finished goods and dispensary supplies consumed+		**(18,252)**	(15,493)
Staff costs		**(156,462)**	(144,433)
Depreciation		**(7,123)**	(8,852)
Other operating expenses, net		**(227,177)**	(210,230)
Finance costs – interest on borrowings		**(1)**	(1)
Share of profits of:			
An associate		**246**	–
Jointly-controlled entities		**139**	118
Profit before tax	3	**37,802**	28,177
Tax	4	**(6,046)**	(5,000)
Profit for the period attributable to equity holders of the Company		**31,756**	23,177
Dividend	5	**6,505**	4,883
Earnings per share attributable to ordinary equity holders of the Company	6		
Basic		**16.2 cents**	11.2 cents
Diluted		**15.9 cents**	11.2 cents

Revenue is also the Group's turnover

+ Being the cost of inventories sold for the period

Interim Condensed Consolidated Balance Sheet
30 June 2006

	Notes	**30 June 2006 HK$'000 (Unaudited)**	31 December 2005 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	7	**33,664**	26,169
Goodwill		**3,527**	3,527
Interests in jointly-controlled entities		**774**	819
Interest in an associate		**2,367**	2,281
Total non-current assets		**40,332**	32,796
Current assets			
Inventories		**9,531**	7,881
Accounts receivable	8	**97,079**	83,270
Prepayments, deposits and other receivables		**26,508**	21,748
Cash and bank balances		**126,936**	116,640
Total current assets		**260,054**	229,539
Current liabilities			
Accounts payable, other payables, accruals and deposits received	9	**108,073**	101,773
Deferred revenue		**3,313**	3,742
Hire purchase contract payable		**5**	5
Dividend payable		**6,505**	–
Tax payable		**8,739**	5,458
Total current liabilities		**126,635**	110,978
Net current assets		**133,419**	118,561
Total assets less current liabilities		**173,751**	151,357

Non-current liabilities		
Hire purchase contract payable	**10**	13
Deferred tax liabilities	**1,057**	1,057
Total non-current liabilities	**1,067**	1,070
Net assets	**172,684**	150,287
Equity attributable to equity holders of the Company		
Issued capital	**19,682**	19,533
Reserves	**153,002**	124,406
Proposed final dividend	**–**	6,348
Total equity	**172,684**	150,287

Notes:

1. Corporate information, basis of preparation and accounting policies

Corporation Information

Quality HealthCare Asia Limited is a limited liability company incorporated in Bermuda.

During the period, the Group was involved in the following principal activities:

- Provision of medical services
- Provision of nursing agency, physiotherapy, dental, and other services
- Provision of elderly care services

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2006 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2005.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except in relation to the following amendments to and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

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

The adoption of these amendments and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements. The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

HKAS 1 Amendment	Capital Disclosures (Note 1)
HKFRS 7	Financial Instruments: Disclosures (Note 1)
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies* (Note 2)
HK(IFRIC)-Int 8	Scope of HKFRS 2 (Note 3)
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives (Note 4)

Notes:

1. Effective for annual periods beginning on or after 1 January 2007
2. Effective for annual periods beginning on or after 1 March 2006
3. Effective for annual periods beginning on or after 1 May 2006
4. Effective for annual periods beginning on or after 1 June 2006

2. Segmental information – Unaudited

Summary details of the Group's business segments are as follows:

(a) the medical services segment engages in the provision of medical services;

(b) the nursing agency, physiotherapy, dental, and other services segment engages in the provision of nursing agency, physiotherapy, dental, LASIK, ophthalmic and psychological services;

(c) the elderly care services segment engages in the provision of elderly care services; and

(d) the corporate and other segment comprises the Group's intra-group management service business, which principally provides management and other services to group companies, together with other corporate income and expense items.

The Group's operating business 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.

The following table presents revenue and profit/(loss) information for the Group's business segments for the six months ended 30 June 2006 and 2005:

	For the six months ended 30 June											
	Medical services		Nursing agency, physiotherapy, dental, and other services		Elderly care services		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**346,491**	316,619	**43,764**	38,150	**49,345**	48,186	**-**	-	**-**	-	**439,600**	402,955
Intersegment sales	**1,656**	1,444	**5,701**	4,585	**2,889**	2,872	**26**	-	**(10,272)**	(8,901)	**-**	-
Other income and gains	**4,320**	3,113	**105**	177	**72**	89	**570**	459	**-**	-	**5,067**	3,838
Total	**352,467**	321,176	**49,570**	42,912	**52,306**	51,147	**596**	459	**(10,272)**	(8,901)	**444,667**	406,793
Segment results	**31,310**	25,638	**3,590**	3,212	**5,184**	2,979	**(4,431)**	(4,044)	**-**	-	**35,653**	27,785
Unallocated interest income											**1,765**	275
Finance costs – interest on borrowings											**(1)**	(1)
Share of profits of:												
An associate	**246**	-	-	-	-	-	-	-	-	-	**246**	-
Jointly-controlled entities	**139**	118	-	-	-	-	-	-	-	-	**139**	118
Profit before tax											**37,802**	28,177
Tax											**(6,046)**	(5,000)
Profit for the period attributable to equity holders of the Company											**31,756**	23,177

3. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2006	2005
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold/dispensary supplies consumed and services provided	**357,161**	327,787
Loss on disposal/write-off of items of property, plant and equipment	**18**	39
Bank interest income	**(1,765)**	(275)

4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2006	2005
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**6,046**	5,000

5. Dividend

At a meeting of the Board of Directors held on 30 August 2006, the Directors resolved to pay an interim dividend of HK3.25 cents (2005: HK2.5 cents) per ordinary share of the Company in respect of the six months ended 30 June 2006.

6. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$31,756,000 (six months ended 30 June 2005: HK$23,177,000), and the weighted average number of 195,522,310 (30 June 2005: 207,058,552) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$31,756,000 (six months ended 30 June 2005: HK$23,177,000). The weighted average number of ordinary shares used in the calculation is the 195,522,310 (30 June 2005: 207,058,552) ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of 3,670,280 (30 June 2005: 349,150) ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

7. Property, plant and equipment

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2006 was HK$14,636,000 (six months ended 30 June 2005: HK$4,603,000) which mainly represented costs incurred in leasehold improvements and medical equipment. The net book value of disposals and write-offs of property, plant and equipment during the six months ended 30 June 2006 is HK$18,000 (six months ended 30 June 2005: HK$40,000).

8. Accounts receivable

The Group generally allows an average general credit period of 30 to 90 days to its business-related customers, except for certain well established or major customers, where the terms are extended beyond 90 days. The Group seeks to maintain control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 June 2006 HK$'000 (Unaudited)	31 December 2005 HK$'000 (Audited)
Current – 90 days	**89,835**	78,747
91 – 180 days	**6,394**	3,922
181 – 360 days	**850**	601
	97,079	83,270

9. Accounts payable, other payables, accruals and deposits received

An aged analysis of accounts payable included in accounts payable, other payables, accruals and deposits received as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2006 HK$'000 (Unaudited)	31 December 2005 HK$'000 (Audited)
Accounts payable:		
Current – 90 days	**25,705**	24,699
91 – 180 days	**12**	16
181 – 360 days	**22**	10
Over 360 days	**223**	364
	25,962	25,089
Other payables, accruals and deposits received	**82,111**	76,684
	108,073	101,773

The accounts payable are non-interest-bearing and are normally settled on 30-60 days terms.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Capital Structure and Equity

During the period, the Company has issued 1,326,497 and 165,600 ordinary shares of HK$0.10 each for cash as a result of the exercise of warrants and share options respectively. Total cash consideration received was approximately HK$3,507,000.

As at 30 June 2006, the Group's consolidated equity amounted to approximately HK$172.7 million compared to HK$150.3 million as at 31 December 2005. The increase was due to the net profit retained and the issuance of shares during the period.

2. Financial Resources and Liquidity

The Group had cash and bank balances of HK$126.9 million as at 30 June 2006. It is the Group's objective to maintain sufficient cash with the availability of flexible bank credit facilities for its operations and development.

The Group made no bank borrowings during the period. As at 30 June 2006, the only outstanding borrowing was an obligation under a hire purchase contract of approximately HK$15,000.

Since the Group was in a positive net cash position (cash and bank balances available were in excess of borrowings), gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was not applicable at 30 June 2006 and 31 December 2005.

3. Currency and Financial Risk Management

The Group's main operating subsidiaries are located in Hong Kong and over 90% of the Group's sales and purchases during the period were denominated in Hong Kong dollars.

All bank facilities are denominated in Hong Kong dollars. Interest is chargeable on a floating rate basis with reference to Hong Kong Best Lending Rate and HIBOR.

Most cash and bank balances are denominated in Hong Kong dollars. Any surplus cash is placed in savings and short-term bank deposits to earn interest income.

The Group's foreign currency assets are immaterial. The Group's exposure to foreign exchange risk is minimal, and accordingly, it did not have any requirement to use financial instruments for hedging purposes.

4. Pledge of Assets

At 30 June 2006, the Group had property, plant and equipment of net book value of HK$15,000 (31 December 2005: HK$17,000) held under a hire purchase contract.

5. Contingent Liabilities

(a) In the prior years, Quality HealthCare Medical Services Limited ("QHMS") and Quality HealthCare Medical Centre Limited ("QHMC"), indirect wholly-owned subsidiaries of the Company, were served with a writ attaching a statement of claim by Asia Pacific Lasik Centre Limited claiming, inter alia, damages of HK$900,000 for breaches of contract on the parts of QHMS and QHMC. The case was defended and a cross action mounted. In April 2006, the case and the cross action were dismissed and all claims were waived with each party paying their own costs.

As at 30 June 2006, the Group was engaged in other litigation and claims which have not been disclosed in details, as the possibility of an outflow of resources embodying material economic benefits is remote.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$7,364,000 as at 30 June 2006 (31 December 2005: HK$7,648,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of services to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

6. Material Acquisition and Disposal of Subsidiaries and Associates

During the period, there has been no material acquisition or disposal of subsidiaries and associates by the Group.

7. Management and Staff

At 30 June 2006, the total number of employees was around 1,030 (31 December 2005: 980). Total staff costs amounted to approximately HK$156.5 million (six months ended 30 June 2005: HK$144.4 million). The staffing structure is under constant review as the shape of the Group develops. Remuneration packages are calculated at market rates, with share options offered at the discretion of the Board of Directors. All executive directors' remuneration and option packages must first be recommended by the Remuneration Committee which is composed of all the Independent Non-Executive Directors, namely, Messrs. Li Chak Hung, Francis J. Chang Chu Fai and Carlisle Caldow Procter.

DIVIDEND AND BOOK CLOSE

The Board has declared the payment of an interim dividend of HK3.25 cents (2005: HK2.5 cents) per ordinary share in respect of the six months ended 30 June 2006 payable to shareholders whose names appear on the register of members of the Company on 3 November 2006.

The register of members and the register of warrantholders of the Company will be closed from 1 November 2006 to 3 November 2006, both days inclusive, during which period no transfer of shares and warrants will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates or in the case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 31 October 2006. Dividends are expected to be despatched on 8 November 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2006, the Company has applied the principles of, and complied with, the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 of the CG Code stipulate that the terms of reference of the Remuneration Committee and Audit Committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services.

The reasons for the above deviations are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31 December 2005. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the forthcoming Corporate Governance Report to be contained in the Company's annual report for the financial year ending 31 December 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2006.

AUDIT COMMITTEE REVIEW

The Board of the Company has established an Audit Committee, which includes three Independent Non-Executive Directors, Messrs. Li Chak Hung, Francis J. Chang Chu Fai and Carlisle Caldow Procter, and a Non-Executive Director, Mr. Richard Owen Pyvis. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30 June 2006. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standard 700 issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has not undertaken detailed independent audit checks.

On behalf of the Board
Arthur George Dew
Chairman

Hong Kong, 30 August 2006

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Arthur George Dew (Chairman), Dr. Lincoln Chee Wang Jin and Mr. Mark Wong Tai Chun being the Executive Directors, Mr. Richard Owen Pyvis (Deputy Chairman) being a Non-Executive Director and Messrs. Li Chak Hung, Francis J. Chang Chu Fai and Carlisle Caldow Procter being the Independent Non-Executive Directors.

* *For identification purposes only*