NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interest and share of tax of associates has been changed. The changes in presentation have been applied retrospectively.

As disclosed in the financial statements for the year ended 30th June, 2005, the Group had elected to early adopt HKAS 40 "Investment Property" and HK(SIC)– INT 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" (See Note 3 for the financial impact).

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

In the current period, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1st January, 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions of subsidiaries and associates prior to 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously included in interests in associates amounted to HK$142,498,716, the Group has continued amortising such goodwill till 30th June, 2005 and discontinued amortising such goodwill from 1st July, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses, if any, after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for the six months ended 31st December, 2004 have not been restated.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Discount on acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The Group has applied the relevant transitional provisions in HKFRS 3 and derecognised negative goodwill on 1st July, 2005 of HK$84,618,548 previously presented as a deduction from interests in associates, with a corresponding increase in retained profits as at 1st July, 2005.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds

The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Group that contain both liability and equity components. Previously, convertible bonds were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component (See Note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

By 30th June, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st July, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Non-trading securities and club debentures classified under non-current assets and trading securities classified under current assets at 30th June, 2005 have been reclassified to "available-for-sale financial assets" and "financial assets at fair value through profit or loss", respectively. There was no material effect on the Group's retained profits. Accordingly, no adjustment has been required.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's retained profits. Accordingly, no adjustment has been required.

Hotel properties

In previous periods, hotel properties of the Group are stated at cost and no depreciation was provided on hotel properties held on leases of more than twenty years. It was the Group's practice to maintain its hotel properties on a continual state of sound repairs and maintenance. In the current period, the Group has applied HKAS 16 "Property, plant and equipment". Under HKAS 16, the depreciable amount of the property, plant and equipment shall be allocated on a systematic basis over their useful lives. In addition, the residual values and the useful lives of property, plant and equipment shall be reviewed at least at each financial year-end.

During the period, the Group reviewed the residual values and useful lives of its hotel properties, depreciation is provided on hotel properties and these changes are accounted for in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (see Note 3 for the financial impact).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

Potential impact of new Standards not yet adopted

The Group has not early applied the following new standards, interpretations or amendments that have been issued but are not effective.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS – INT 4	Determining whether an arrangement contains a lease[2]
HKFRS – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.

The Group is the process of assessing the impact of these new standards, interpretations and amendments in the period of initial application. The Group is not yet in a position to state whether the adoption of them would have a significant impact on the results of its operations and its financial position.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in Note 2 on the results for the current and prior periods are as follows:

(a) On results

	Effect of adopting	Six months ended 31st December, 2005 HK$	Six months ended 31st December, 2004 HK$
Early adoption of the new HKFRSs for the year ended 30th June, 2005:			
Increase (decrease) in share of results of associates			
– Share of increase in fair value of investment properties of associates	HKAS 40	**341,525,913**	81,621,797
– Increase in deferred taxation on increase in fair value of investment properties of associates	HK(SIC)– INT 21	**(35,022,825)**	(9,963,647)
Increase (decrease) in fair value of investment properties	HKAS 40	**434,829,304**	(572,705)
Increase in costs of sales	HKAS 40	**(598,581)**	(108,320)
Increase in deferred taxation on increase (decrease) in fair value of investment properties for subsidiaries	HK(SIC)– INT 21	**(59,722,156)**	(1,819,022)
		681,011,655	69,158,103
Adoption of the new HKFRSs for the period ended 31st December, 2005:			
Increase (decrease) in share of results of associates			
– Decrease in release of negative goodwill to income statement	HKFRS 3	**(2,564,199)**	–
– Depreciation expenses for owner-operated hotel property	HK– INT 2	**(7,487,466)**	(7,547,891)
– Decrease in deferred taxation relating to depreciation expenses for owner-operated hotel property	HK– INT 2	**1,310,307**	1,320,881
– Non-amortisation of goodwill	HKFRS 3	**6,477,214**	–
Depreciation expenses for owner-operated hotel property	HK– INT 2	**(4,294,606)**	(4,325,535)
Amortisation of prepaid lease payments	HKAS 17	**(2,132,615)**	(2,147,971)
Increase in effective interest expense on the liability component of convertible bonds	HKAS 32	**(25,582,297)**	(3,495,708)
		(34,273,662)	(16,196,224)
Increase in profit for the period		**646,737,993**	52,961,879

(b) On income statement line items

	Six months ended 31st December, 2005 HK$	Six months ended 31st December, 2004 HK$
Early adoption of the new HKFRSs for the year ended 30th June, 2005:		
Increase in share of results of associates	**306,503,088**	71,658,150
Increase (decrease) in fair value of investment properties	**434,829,304**	(572,705)
Increase in cost of sales	**(598,581)**	(108,320)
Increase in income tax expense	**(59,722,156)**	(1,819,022)
	681,011,655	69,158,103
Adoption of the new HKFRSs for the period ended 31st December, 2005:		
Decrease in share of results of associates	**(2,264,144)**	(6,227,010)
Increase in administrative expenses	**(6,427,221)**	(6,473,506)
Increase in finance costs	**(25,582,297)**	(3,495,708)
	(34,273,662)	(16,196,224)
Increase in profit for the period	**646,737,993**	52,961,879

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) The cumulative effects of the application of the new HKFRSs as at 30th June 2005 and 1st July, 2005 are summarised below:

	As at 30th June, 2005 (as adjusted upon early adoption of HKAS 40 & HK(SIC)– INT 21)	Effect of HKAS 1	Effect of HK– INT 2/ HKAS 16	Effect of HK(SIC)– INT 21	Effect of HKAS 32	As at 30th June, 2005 (restated)	Effect of HKAS 39	Effect of HKFRS 3	As at 1st July, 2005 (restated)
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance sheet items									
Hotel property	1,179,346,094	–	(415,774,870)	–	–	763,571,224	–	–	763,571,224
Prepaid lease payments	–	–	361,325,664	–	–	361,325,664	–	–	361,325,664
Interests in associates	10,862,541,981	(7,144,920,210)	(105,859,166)	–	–	3,611,762,605	69,506,421	84,618,548	3,765,887,574
Investments in securities	2,116,085,953	–	–	–	–	2,116,085,953	(2,116,085,953)	–	–
Available-for-sale investments	–	–	–	–	–	–	1,541,360,100	–	1,541,360,100
Advances to associates	–	7,144,920,210	–	–	–	7,144,920,210	(69,506,421)	–	7,075,413,789
Other non-current asset	300,000	–	–	–	–	300,000	(300,000)	–	–
Trading investments	–	–	–	–	–	–	575,025,853	–	575,025,853
Convertible bonds	–	–	–	–	(2,258,927,488)	(2,258,927,488)	–	–	(2,258,927,488)
Long-term borrowings – due after one year	(10,096,297,482)	–	–	–	2,456,548,973	(7,639,748,509)	–	–	(7,639,748,509)
Advances from minority shareholders	(368,892,334)	–	–	–	(13,421,105)	(382,313,439)	–	–	(382,313,439)
Deferred taxation	(1,666,269,332)	–	–	(38,746,870)	–	(1,705,016,202)	–	–	(1,705,016,202)
Other assets and liabilities	32,642,382,105	–	–	–	–	32,642,382,105	–	–	32,642,382,105
	34,669,196,985	–	(160,308,372)	(38,746,870)	184,200,380	34,654,342,123	–	84,618,548	34,738,960,671
Retained profits	(18,825,897,063)	–	160,308,372	–	23,789,202	(18,641,799,489)	–	(84,618,548)	(18,726,418,037)
Capital reserve – equity component of convertible bonds	–	–	–	38,746,870	(221,410,687)	(182,663,817)	–	–	(182,663,817)
Minority interests	–	(40,657,133)	–	–	13,421,105	(27,236,028)	–	–	(27,236,028)
Capital and other reserves	(15,802,642,789)	–	–	–	–	(15,802,642,789)	–	–	(15,802,642,789)
	(34,628,539,852)	(40,657,133)	160,308,372	38,746,870	(184,200,380)	(34,654,342,123)	–	(84,618,548)	(34,738,960,671)
Minority interests	(40,657,133)	40,657,133	–	–	–	–	–	–	–
	(34,669,196,985)	–	160,308,372	38,746,870	(184,200,380)	(34,654,342,123)	–	(84,618,548)	(34,738,960,671)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) The financial effects of the application of the new HKFRSs to the Group's equity at 30th June, 2004 and 1st July, 2004 are summarised as follows:

	As at 30th June, 2004 (as restated upon early adoption of HKAS 40 & HK(SIC)– INT 21)	Effect of HK– INT 2/ HKAS 16/ HKAS 32	As at 1st July, 2004 (restated)
	HK$	*HK$*	*HK$*
Retained profits	14,476,376,002	(135,018,300)	14,341,357,702
Capital and other reserves	15,286,442,843	–	15,286,442,843
Minority interests	(585,933)	(94,796,404)	(95,382,337)
Total effects on equity	29,762,232,912	(229,814,704)	29,532,418,208

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into five operating divisions – property, investments in securities, financing, hotel and building management and services. These operating divisions are the basis on which the Group reports its primary segment information as below:

Six months ended 31st December, 2005

	Property	Investments in securities	Financing	Hotel	Building management and services	Elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Turnover							
Property rental	491,000,757	–	–	–	–	–	491,000,757
Property sales	15,591,800	–	–	–	–	–	15,591,800
Hotel operations	–	–	–	151,255,955	–	–	151,255,955
Management services	33,618,534	–	–	–	184,871,090	–	218,489,624
Share investment and dealing	–	33,900,714	–	–	–	–	33,900,714
Financing	–	–	8,323,361	–	–	–	8,323,361
	540,211,091	33,900,714	8,323,361	151,255,955	184,871,090	–	918,562,211
Other income	8,218,195	7,852,918	631,858	137,731	7,815,143	–	24,655,845
Inter-segment sales *	–	–	–	–	11,419,811	(11,419,811)	–
Total	548,429,286	41,753,632	8,955,219	151,393,686	204,106,044	(11,419,811)	943,218,056
SEGMENT RESULT	879,953,090	85,337,678	8,955,219	77,792,183	80,167,172	–	1,132,205,342
Unallocated corporate expenses							(230,341,110)
Net finance costs							(95,351,795)
Share of results of associates							381,097,335
Profit before taxation							1,187,609,772
Income tax expense							(116,959,770)
Profit for the period							1,070,650,002

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Six months ended 31st December, 2004

	Property	Investments in securities	Financing	Hotel	Building management and services	Elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$* (restated)
Turnover							
Property rental	423,730,637	–	–	–	–	–	423,730,637
Property sales	2,150,444,412	–	–	–	–	–	2,150,444,412
Hotel operations	–	–	–	144,068,699	–	–	144,068,699
Management services	32,924,817	–	–	–	175,915,837	–	208,840,654
Share investment and dealing	–	21,663,512	–	–	–	–	21,663,512
Financing	–	–	13,490,540	–	–	–	13,490,540
	2,607,099,866	21,663,512	13,490,540	144,068,699	175,915,837	–	2,962,238,454
Other income	8,283,595	53,293	676,693	–	8,249,918	–	17,263,499
Inter-segment sales *	–	–	–	–	7,227,668	(7,227,668)	–
Total	2,615,383,461	21,716,805	14,167,233	144,068,699	191,393,423	(7,227,668)	2,979,501,953
SEGMENT RESULT	1,092,148,422	161,403,597	14,167,233	70,907,980	75,049,076	–	1,413,676,308
Unallocated corporate expenses							(214,410,701)
Net finance costs							(41,597,386)
Share of results of associates							626,020,626
Profit before taxation							1,783,688,847
Income tax expense							(143,924,125)
Profit for the period							1,639,764,722

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

5. FINANCE INCOME

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Interest income on:		
advances to associates	**15,392,974**	22,355,066
advances to investee companies	**3,515,134**	3,416,640
bank deposits	**19,381,170**	5,246,015
Imputed interest income on non-current interest-free advances to associates	**52,939,358**	–
	91,228,636	31,017,721

6. FINANCE COSTS

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
		(restated)
Interests on bank and other borrowings wholly repayable within five years	**209,781,484**	82,041,784
Effective interest expense on convertible bonds	**45,894,797**	7,789,030
Imputed interest expense on non-current interest-free advances from associates	**13,479,015**	–
Loan facility arrangement fees and finance charges	**12,125,452**	5,112,121
	281,280,748	94,942,935
Less: Amount capitalised to properties under development	**(94,700,317)**	(22,327,828)
	186,580,431	72,615,107

7. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates included an increase in fair value of investment properties of the associates of HK$341,525,913 *(six months ended 31st December, 2004: HK$81,621,797 as restated)* recognised in the income statements of the associates.

8. PROFIT BEFORE TAXATION

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$* (restated)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**2,132,615**	2,147,971
Cost of hotel inventories recognised	**16,130,103**	13,419,165
Depreciation expenses for owner-operated hotel property	**4,294,606**	4,325,535
Depreciation of property, plant and equipment	**7,231,840**	9,137,837
Gain on disposal of property, plant and equipment	**(167,677)**	–
Loss on disposal of investment properties	**517,183**	5,103
Share of tax of associates (included in share of results of associates)	**46,979,250**	112,035,095

9. INCOME TAX EXPENSE

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$* (restated)
The charge comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax	**40,829,459**	129,987,694
Other jurisdictions	**11,991,498**	9,877,100
	52,820,957	139,864,794
Deferred taxation	**64,138,813**	4,059,331
	116,959,770	143,924,125

Hong Kong Profits Tax is calculated at 17.5% *(six months ended 31st December, 2004: 17.5%)* of the estimated assessable profits for the period.

Taxes on profits assessable in the People's Republic of China and elsewhere have been calculated at rates of taxation prevailing in the country and the regions in which the Group operates.

The Inland Revenue Department ("IRD") initiated tax inquiries for the years of assessment 1995/96 to 1998/99, on a wholly-owned subsidiary, Sing-Ho Finance Company Limited ("Sing-Ho Finance"). Notices of assessment for additional tax in an aggregate sum of approximately HK$270,507,000 were issued to Sing-Ho Finance for the years under review and objections were properly lodged with the IRD by Sing-Ho Finance. The IRD also initiated a tax inquiry for the years of assessment 1998/99 to 2001/02 on another wholly-owned subsidiary, City Empire Limited ("City Empire"). Notices of assessment for additional tax of approximately HK$263,438,000 were issued to City Empire for the years under review and objections were lodged properly with the IRD by City Empire. In the opinion of the Directors, in view of the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of these tax inquiries cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made.

10. DIVIDEND

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Final dividend for the year ended 30th June, 2005 of HK11.5 cents *(year ended 30th June, 2004: HK7 cents)* per share, with a scrip dividend option	**491,050,421**	301,421,608

The Directors determined that an interim dividend for the six months ended 31st December, 2005 of HK8.5 cents *(six months ended 31st December, 2004: HK8.5 cents)* per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 21st April 2006.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the parent is based on the following data:

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$* (restated)
Earnings for the purpose of basic earnings per share	**1,066,392,290**	1,462,289,099
Effect of dilutive potential ordinary shares:		
Reduction of finance costs, net of tax	**42,340,110**	7,176,834
Earnings for the purpose of diluted earnings per share	**1,108,732,400**	1,469,465,933
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,311,801,841**	4,307,877,462
Effect of dilutive potential ordinary shares:		
Convertible bonds	**271,002,710**	47,130,906
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,582,804,551**	4,355,008,368

11. EARNINGS PER SHARE *(Continued)*

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies shown in Note 2 above, is as follows:

	Basic	Diluted
	HK cents	*HK cents*
Reconciliation of earnings per share for the six months ended 31st December, 2004		
Reported figure before adjustments	32.72	32.43
Adjustments arising from the changes in accounting policies	1.22	1.31
As restated	33.94	33.74

12. INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2005 were fair-valued by Chesterton Petty Limited, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market prices for similar properties.

13. HOTEL PROPERTY

During the six months ended 31st December, 2005, additions to hotel property amounted to HK$19,856,379 *(six months ended 31st December, 2004: Nil)*.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2005, additions to property, plant and equipment amounted to HK$6,924,038 *(six months ended 31st December, 2004: HK$9,590,383)*.

15. INTERESTS IN ASSOCIATES

	31st December, 2005	30th June, 2005
	HK$	*HK$*
		(restated)
Cost of investment in associates – unlisted shares, at cost	**1,940,924,058**	1,801,469,502
Share of post-acquisition reserves	**1,902,152,066**	1,752,412,935
Goodwill	**142,498,716**	142,498,716
Negative goodwill	**–**	(84,618,548)
	3,985,574,840	3,611,762,605

Negative goodwill with carrying amount of HK$84,618,548 as at 30th June, 2005 was presented as a deduction from the cost of investments in associates. In prior years, negative goodwill was released to income on a straight-line basis over the remaining weighted average useful life of the identifiable acquired depreciable assets of HK$5,128,398 per annum. The amount of negative goodwill released to the income statement for the six months ended 31st December, 2004 was HK$2,564,199. All negative goodwill was derecognised on 1st July, 2005 upon the application of HKFRS 3 (See Note 3 for the financial impact).

15. INTERESTS IN ASSOCIATES *(Continued)*

The IRD initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Wide Harvest Investment Limited ("WHI"), of the Group's associates, Million Success Limited ("MSL") and for the years of assessment 1994/95 to 1998/99 on a wholly-owned subsidiary, Murdoch Investments Inc. ("MII"), of the Group's associates, Erleigh Investment Limited. Notices of assessment for additional tax in the aggregate amounts of approximately HK$396,088,000 and HK$54,397,000 were issued to WHI and MII for the years under review, respectively, and objections were properly lodged with the IRD by WHI and MII. The effective share of the amount attributable to the Group as at 31st December, 2005 is estimated to be approximately HK$99,022,000 and HK$24,479,000, respectively. In view of the tax inquiries are still at the stage of collation of evidence, the management of WHI and of MII are of the opinion that the ultimate outcome of the tax inquiries cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of WHI and of MII.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.

16. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK$95,518,365 *(30th June, 2005: HK$114,463,104)* mainly comprising rental receivables, which are billed in advance and settlement are expected upon receipt of billings, and sales proceeds receivables.

The following is an aged analysis of trade receivables at the reporting date:

	31st December, 2005	30th June, 2005
	HK$	*HK$*
0 – 30 days	**46,660,685**	69,922,128
31 – 60 days	**11,602,732**	7,667,044
61 – 90 days	**3,497,783**	3,966,394
Over 90 days	**33,757,165**	32,907,538
	95,518,365	114,463,104

Trade receivables over 90 days amounting to HK$33,757,165 *(30th June, 2005: HK$32,907,538)* are sufficiently covered by rental deposits received from the respective tenants and no allowance is required for these receivables under the Group's allowance policy.

17. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK$119,468,952 *(30th June, 2005: HK$46,362,783)*.

The following is an aged analysis of trade payables at the reporting date:

	31st December, 2005	30th June, 2005
	HK$	*HK$*
0 – 30 days	**75,844,423**	36,261,254
31 – 60 days	**34,376,086**	5,203,756
61 – 90 days	**2,420,520**	887,878
Over 90 days	**6,827,923**	4,009,895
	119,468,952	46,362,783

18. CONVERTIBLE BONDS

On 30th November, 2004, a wholly-owned subsidiary of the Company, Getsmart Finance Limited ("Getsmart"), issued HK$2,500,000,000 1.625% guaranteed convertible bonds due in November 2009 ("2009 Bonds"). The 2009 Bonds carries a right to convert at any time on and after 30th December, 2004 up to the close of business on 30th October, 2009 into ordinary shares of the Company at an initial conversion price of HK$9.225 per share, subject to adjustment.

All or some of the 2009 Bonds are redeemable at the option of the relevant holder at their principal amount together with accrued interest on 30th November, 2007. If at any time the aggregate principal amount of 2009 Bonds outstanding is less than 10 per cent of the aggregate principal amount originally issued, Getsmart shall have the option to redeem such outstanding bonds in whole but not in part at their principal amount together with accrued interest. In addition, on or at any time after 30th November, 2007 but not less than seven business days prior to 30th November, 2009, Getsmart has the right to mandatorily convert the bonds in whole but not in part into shares upon satisfying certain requirements.

None of the 2009 Bonds were converted into ordinary shares of the Company by the bondholders during the period.

Upon the application of HKAS 32, the convertible bonds were split between the liability and equity elements, on a retrospective basis (See Note 3 for the financial impact). The equity element is presented in equity heading "Recognition of equity component of convertible bonds".

In accordance with HKAS 39, the redemption element at the option of the bondholders of the convertible bonds represents an embedded derivative instrument which is not closely related to the bond and hence, should be accounted for separately. The Directors had assessed the fair value of the redemption option at the right of the bondholders of the convertible bonds and consider its fair value is insignificant.

18. CONVERTIBLE BONDS *(Continued)*

The movement of the liability component of the convertible bonds for the period is set out below:

	HK$
Liability component at 1st January, 2005	2,233,716,799
Interest charged	45,523,189
Interest paid	(20,312,500)
Liability component at 30th June, 2005	2,258,927,488
Interest charged *(Note 6)*	45,894,797
Interest paid	(20,312,500)
Liability component at 31st December, 2005	**2,284,509,785**

The fair value of the liability component of the convertible bonds as at 31st December, 2005 and 30th June, 2005 approximated to the corresponding carrying amount.

19. PLEDGE OF ASSETS

(a) At 31st December, 2005, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK$16,315,251,588 *(30th June, 2005: HK$16,671,721,396)* were secured by certain of the Group's listed investments, properties, bank deposits and bank balances. At that date, the facilities were utilised to the extent of HK$10,767,104,338 *(30th June, 2005: HK$7,776,781,646).*

(b) At 31st December, 2005, investments and the benefits in the advances to certain associates were pledged or assigned to secure loan facilities made available by banks or financial institutions to such associates. The Group's attributable portion of these facilities amounted to HK$2,588,466,559 *(30th June, 2005: HK$2,782,133,937)*, of which HK$2,402,883,226 *(30th June, 2005: HK$2,534,581,538)* was utilised by the associates and guaranteed by the Company.

20. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	31st December, 2005	30th June, 2005
	HK$	*HK$*
(a) Commitments in respect of property development expenditure:		
Authorised but not contracted for	**36,558,487**	19,012,414
Contracted but not provided for	**2,315,499,177**	2,089,453,770
	2,352,057,664	2,108,466,184
(b) Guarantees in respect of banking facilities and other liabilities of associates		
– Utilised	**2,402,883,226**	2,534,581,538
– Not utilised	**188,088,333**	250,057,399
	2,590,971,559	2,784,638,937

(c) On 19th December, 1996, the Company and its wholly-owned subsidiary, Mariner International Hotels Limited (collectively referred to as "Mariner"), entered into an agreement (the "Agreement") with Hang Lung Development Company Limited and its subsidiary, Atlas Limited (collectively referred to as "Hang Lung") to acquire a company which owned a property in Yau Kom Tau, Tsuen Wan, New Territories, which was to be developed into a hotel. The total consideration payable by Mariner for the purchase was HK$1,070,000,000, in respect of which a deposit and part payments in the total sum of HK$321,000,000 were paid by Mariner to Hang Lung pursuant to the Agreement. On 30th June, 1998, Mariner terminated the Agreement. This termination gave rise to litigation between Mariner and Hang Lung. There has been a trial of the issue of which party repudiated the Agreement. On this issue the trial judge gave judgment for Hang Lung on 2nd August, 2004.

On legal advice Mariner lodged an appeal against the judgment, which was heard in the Court of Appeal in November 2005. The Court of Appeal on 30th December, 2005 handed down a judgment dismissing Mariner's appeal against the judgment of a judge of the Court of First Instance, finding in favour of Hang Lung. Acting on legal advice, Mariner has lodged an appeal with the Court of Final Appeal against the judgment of the Court of Appeal. The Directors have been advised that the appeal is likely to be heard by the Court of Final Appeal in early 2007. On the basis of the uncertainty of the outcome of this appeal, the Directors are of the opinion that no provision in respect of the deposit and other liabilities arising from the Agreement should be made for the six months ended 31st December, 2005.