

Notes on the Condensed Interim Financial Statements (unaudited)

1 BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 22nd March, 2006.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2005 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2006 annual accounts. Details of these changes in accounting policies are set out in note 2.

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

These condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 54.

The financial information relating to the financial year ended 30th June, 2005 that is included in the condensed interim financial statements as being previously reported information does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 30th June, 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 28th September, 2005.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s annual accounts for the year ending 30th June, 2006, on the basis of HKFRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st July, 2005 which have been reflected in these condensed interim financial statements.

Notes on the Condensed Interim Financial Statements (unaudited)
2 CHANGES IN ACCOUNTING POLICIES (cont'd)
(a) Summary of the effect of changes in the accounting policies

The following tables set out the adjustments that have been made to the opening balances at 1st July, 2005 and 2004. These are the aggregate effect of retrospective adjustments to the net assets as at 30th June, 2005 and 2004 and the opening balance adjustments made as at 1st July, 2005.

(i) Effect on opening balance of total equity at 1st July, 2005 and 2004 (as adjusted)

Note	Retained profits		Other reserves		Total		Minority interests		Total equity	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effect of new policy (increase/(decrease))										
Prior period adjustments:										
HKAS 17										
Leasehold land and buildings										
2(c)	78,681	70,393	(668,296)	(668,296)	(589,615)	(597,903)	(212,774)	(215,765)	(802,389)	(813,668)
HK Int 2										
Hotel properties										
2(d)	(108,683)	(93,074)	(308,779)	(251,229)	(417,462)	(344,303)	(206,189)	(198,609)	(623,651)	(542,912)
Total decrease in equity before opening balance adjustments										
	(30,002)	(22,681)	(977,075)	(919,525)	(1,007,077)	(942,206)	(418,963)	(414,374)	(1,426,040)	(1,356,580)
Opening balance adjustments:										
HKFRS 3										
Goodwill										
2(b)	1,521,337	—	(1,433,932)	—	87,405	—	31,542	—	118,947	—
HKAS 39										
Available-for-sale securities										
2(e)	—	—	910	—	910	—	—	—	910	—
Guaranteed convertible notes										
2(e)	(791)	—	35,536	—	34,745	—	—	—	34,745	—
	1,520,546	—	(1,397,486)	—	123,060	—	31,542	—	154,602	—
Total effect at 1st July										
	1,490,544	(22,681)	(2,374,561)	(919,525)	(884,017)	(942,206)	(387,421)	(414,374)	(1,271,438)	(1,356,580)

Notes on the Condensed Interim Financial Statements (unaudited)

2 CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) Summary of the effect of changes in the accounting policies (cont'd)

(ii) Effect on profit after taxation for the six months ended 31st December, 2005 and 2004

	Note	Equity shareholders of the Company		Minority interests		Total	
		2005	2004	2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effect of new policy (increase/(decrease))							
HKFRS 3							
Amortisation of goodwill	2(b)	18,661	—	6,734	—	25,395	—
HKAS 17							
Leasehold land and buildings	2(c)	4,196	4,117	1,514	1,485	5,710	5,602
HK Int 2							
Hotel properties	2(d)	(7,572)	(7,577)	(1,165)	(1,165)	(8,737)	(8,742)
HKAS 39							
Available-for-sale securities	2(e)	(45,799)	—	(2,591)	—	(48,390)	—
Guaranteed convertible notes	2(e)	(692)	—	—	—	(692)	—
Total effect for the period		<u>(31,206)</u>	<u>(3,460)</u>	<u>4,492</u>	<u>320</u>	<u>(26,714)</u>	<u>(3,140)</u>

Notes on the Condensed Interim Financial Statements (unaudited)**2 CHANGES IN ACCOUNTING POLICIES (cont'd)****(b) Positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)**

In prior years:

- positive or negative goodwill which arose prior to 1st July, 2001 was written off on acquisition or recognised in reserve on consolidation at the time it arose, and was not recognised in the profit and loss account until disposal or impairment of the acquired business;
- positive goodwill which arose on or after 1st July, 2001 was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and
- negative goodwill which arose on or after 1st July, 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired or when the underlying non-monetary assets are disposed, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1st July, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1st July, 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the profit and loss account as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1st July, 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the six months ended 31st December, 2005. This has increased the profit attributable to equity shareholders for the six months ended 31st December, 2005 by HK\$18,661,000.

In addition, the Group's reserve on consolidation of HK\$1,433,932,000 has been transferred to retained profits as a result of the adoption of HKFRS 3. There is no impact on the Group's net assets as at 1st July, 2005 and 31st December, 2005.

In respect of negative goodwill recognised on the face of balance sheet in prior years, the carrying amount of such negative goodwill as of 1st July, 2005 was derecognised and the change in the policy was adopted by increasing the opening balance of retained profits as of 1st July, 2005 by HK\$87,405,000. Comparative amounts have not been restated as permitted by the transitional arrangements of HKFRS 3.

Notes on the Condensed Interim Financial Statements (unaudited)

2 CHANGES IN ACCOUNTING POLICIES (cont'd)

(c) Leasehold land and buildings (HKAS 17, Leases)

In prior years, the Group's leasehold land and buildings were stated at cost less accumulated depreciation, except for certain leasehold land and buildings held by a listed associate of the Group which were stated at revalued amount, and movements of the Group's share of revaluation surpluses or deficits were normally taken to the property revaluation reserve.

With the adoption of HKAS 17 as from 1st July, 2005, the Group's interests in leasehold land are accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be split reliably from the fair value of the leasehold interests in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. Where the two elements cannot be split reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation. Leasehold land under operating leases will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight-line basis over the lease term and recognised in the profit and loss account immediately. Any buildings which are situated on such land leases are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

This change in accounting policy has been adopted retrospectively by decreasing the opening balance of property revaluation reserve as of 1st July, 2005 by HK\$668,296,000 (1st July, 2004: HK\$668,296,000) and increasing the opening balance of retained profits as of 1st July, 2005 by HK\$78,681,000 (1st July, 2004 : HK\$70,393,000). As a result of this policy, the profit attributable to equity shareholders for the six months ended 31st December, 2005 has increased by HK\$4,196,000 (2004: HK\$4,117,000).

In addition, certain leasehold land interests with a net book value of HK\$26,603,000 as at 1st July, 2005 previously included in "other land and buildings" are reclassified to "interests in leasehold land held for own use under operating leases" with the comparative figures restated to conform with the current period's presentation. There is no impact on the Group's net assets as at the period end / year end and on the Group's profit attributable to equity shareholders for the periods presented.

Notes on the Condensed Interim Financial Statements (unaudited)**2 CHANGES IN ACCOUNTING POLICIES (cont'd)****(d) Hotel properties (HK Interpretation 2, The appropriate policies for hotel properties ("HK Int 2") and HKAS 17, Leases)**

In prior years, the Group's hotel properties were stated at their open market value based on an annual professional valuation and no depreciation was provided on hotel properties held on lease of more than 20 years.

Upon the adoption of HK Int 2 as from 1st July, 2005, all owner-operated hotel properties are stated at cost less accumulated depreciation and impairment losses.

This change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits and property revaluation reserve as of 1st July, 2005 have reduced by HK\$108,683,000 (1st July, 2004: HK\$93,074,000) and HK\$308,779,000 (1st July, 2004: HK\$251,229,000) respectively. In addition, the change has reduced the profit attributable to equity shareholders for the six months ended 31st December, 2005 by HK\$7,572,000 (2004: HK\$7,577,000).

In addition, with the adoption of HKAS 17, the leasehold interests in the land element with a net book value of HK\$216,760,000 as at 1st July, 2005 are reclassified to "Interests in leasehold land held for own use under operating leases" with the comparative figures restated to conform with the current period's presentation. There is no impact on the Group's net assets as at the period end / year end and on the Group's profit attributable to equity shareholders for the periods presented.

(e) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, the accounting policies for certain financial instruments were as follows:

- equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision;
- other non-current investments were stated at fair value with changes in fair value recognised in the profit and loss account; and
- guaranteed convertible notes issued were stated at amortised cost.

Notes on the Condensed Interim Financial Statements (unaudited)

2 CHANGES IN ACCOUNTING POLICIES (cont'd)

(e) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) (cont'd)

With effect from 1st July, 2005, and in accordance with HKAS 39, the following new accounting policies are adopted for the financial instruments mentioned above:

- All non-trading investments are classified as available-for-sale securities and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the profit and loss account for the period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale equity securities is recognised directly in equity.

This change was adopted by increasing the opening balance of fair value reserve as at 1st July, 2005 by HK\$910,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

As a result of this new policy, the profit attributable to equity shareholders for the six months ended 31st December, 2005 has decreased by HK\$45,799,000 and fair value reserve has increased by the same amount.

- Guaranteed convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits).

This change was adopted by increasing the opening balance of the capital reserve as of 1st July, 2005 of HK\$35,536,000 and decreasing the opening balance of retained profits as of 1st July, 2005 of HK\$791,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

As a result of this new policy, the profit attributable to the equity shareholders for the six months ended 31st December, 2005 has decreased by HK\$692,000.

Notes on the Condensed Interim Financial Statements (unaudited)**2 CHANGES IN ACCOUNTING POLICIES (cont'd)****(f) Changes in presentation (HKAS 1, Presentation of financial statements)**

- (i) Presentation of share of associates' and jointly controlled entities' taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated profit and loss account. With effect from 1st July, 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated profit and loss account before arriving at the Group's profit or loss before taxation. These changes in presentation have been applied retrospectively with comparatives restated.

- (ii) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to equity shareholders of the Company.

With effect from 1st July, 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the total equity attributable to equity shareholders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the equity shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, profit and loss account and statement of changes in equity for the comparative period has been restated accordingly.

Notes on the Condensed Interim Financial Statements (unaudited)

3 SEGMENTAL INFORMATION (cont'd)

For the six months ended 31st December, 2004 (restated)

	Property	Property	Finance	Building	Infra-	Hotel	Department	Others	Eliminations	Consolidated
	development	leasing		construction	structure		operation			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	569,070	1,025,123	47,071	296,310	152,851	66,100	64,800	340,491	—	2,561,816
Other revenue (excluding bank interest income)	—	2,795	1,396	974	979	—	755	13,091	—	19,990
External revenue	569,070	1,027,918	48,467	297,284	153,830	66,100	65,555	353,582	—	2,581,806
Inter-segment revenue	—	84,843	837	106,546	—	—	—	13,111	(205,337)	—
Total revenue	<u>569,070</u>	<u>1,112,761</u>	<u>49,304</u>	<u>403,830</u>	<u>153,830</u>	<u>66,100</u>	<u>65,555</u>	<u>366,693</u>	<u>(205,337)</u>	<u>2,581,806</u>
Segment results	102,282	703,878	43,017	77,937	107,243	(3,517)	4,429	52,515	—	1,087,784
Inter-segment transactions	16,801	(34,318)	(837)	(22,215)	—	24,910	8,311	5,420	—	(1,928)
Contribution from operations	119,083	669,560	42,180	55,722	107,243	21,393	12,740	57,935	—	1,085,856
Bank interest income	—	—	—	—	—	—	—	—	—	13,859
Unallocated operating expenses net of income	—	—	—	—	—	—	—	—	—	(154,459)
Profit from operations	—	—	—	—	—	—	—	—	—	945,256
Increase in fair value of investment properties	—	593,241	—	—	—	—	—	—	—	593,241
Finance costs	—	—	—	—	—	—	—	—	—	(34,167)
Non-operating income	—	—	—	—	—	—	—	—	—	38
	—	—	—	—	—	—	—	—	—	1,504,368
Share of profits less losses of associates	—	—	—	—	—	—	—	—	—	773,832
Share of profits less losses of jointly controlled entities	10,247	63,288	6,342	2,760	—	—	—	(1,647)	—	80,990
Profit before taxation	—	—	—	—	—	—	—	—	—	2,359,190
Income tax	—	—	—	—	—	—	—	—	—	(218,574)
Profit for the period	—	—	—	—	—	—	—	—	—	<u>2,140,616</u>

Notes on the Condensed Interim Financial Statements (unaudited)

3 SEGMENTAL INFORMATION (cont'd)

Geographical segments:

	Hong Kong HK\$'000	The People's Republic of China ("PRC") HK\$'000	Consolidated HK\$'000
For the six months ended 31st December, 2005			
Turnover	2,607,430	125,274	2,732,704
Other revenue (excluding bank interest income)	24,652	3,217	27,869
External revenue	<u>2,632,082</u>	<u>128,491</u>	<u>2,760,573</u>
For the six months ended 31st December, 2004			
Turnover	2,367,891	193,925	2,561,816
Other revenue (excluding bank interest income)	18,272	1,718	19,990
External revenue	<u>2,386,163</u>	<u>195,643</u>	<u>2,581,806</u>

4 OTHER REVENUE AND OTHER NET (LOSS) / INCOME

	For the six months ended 31st December,	
	2005	2004
	HK\$'000	restated HK\$'000
Other revenue:		
Interest income	75,583	22,814
Others	15,950	11,035
	<u>91,533</u>	<u>33,849</u>
Other net (loss)/income:		
Profit on disposal of fixed assets	328	5,309
Others	(9,547)	548
	<u>(9,219)</u>	<u>5,857</u>

Notes on the Condensed Interim Financial Statements (unaudited)

5 NON-OPERATING INCOME

	For the six months ended 31st December,	
	2005 HK\$'000	2004 HK\$'000
Excess of interest in fair values of the acquirees' identifiable net assets over cost of business combination (Note (i))	812,524	—
Impairment loss on positive goodwill (Note (ii))	(161,846)	—
Net unrealised gain on other investments	—	24,056
Amortisation of goodwill	—	(24,344)
Others	2,485	326
	653,163	38

Note:

- (i) The amount is arising from the privatisation of Henderson China Holdings Limited on 15th August, 2005.
- (ii) On 8th December, 2005, a non wholly-owned subsidiary, Henderson Cyber Limited ("Henderson Cyber") was privatised jointly by the Group's subsidiary, Henderson Investment Limited ("Henderson Investment") and an associate, The Hong Kong and China Gas Company Limited. Upon the privatisation, there is an excess of Henderson Investment's total cost of acquisition over its interest in the net assets value of Henderson Cyber. This has given rise to goodwill of approximately HK\$162 million. By reference to the cash flow forecast, the directors are of the opinion that the goodwill arising on the privatisation was impaired and full impairment loss was made as at 31st December, 2005.

6 PROFIT BEFORE TAXATION

The consolidated profit before taxation for the period is arrived at after charging/(crediting):

(a) Finance costs:

	For the six months ended 31st December,	
	2005 HK\$'000	2004 HK\$'000
Interest on borrowings	378,811	87,625
Other borrowing costs	18,359	42,220
	397,170	129,845
Less: Amount capitalised*		
- interest on borrowings	(177,122)	(58,456)
- other borrowing costs	—	(37,222)
	220,048	34,167

* The borrowing costs have been capitalised at rates ranging from 4.16% to 4.40% (2004: from 1.28% to 1.68%) per annum.

Notes on the Condensed Interim Financial Statements (unaudited)

6 PROFIT BEFORE TAXATION (cont'd)

(b) Items other than those separately disclosed in notes 3 to 6(a):

	For the six months ended 31st December,	
	2005	2004
	HK\$'000	restated HK\$'000
Amortisation and depreciation	66,173	66,517
Less: Amount capitalised	(45)	(13)
	<u>66,128</u>	<u>66,504</u>
Staff cost	439,011	407,955
Less: Amount capitalised	—	(16,164)
	<u>439,011</u>	<u>391,791</u>
Amortisation of land lease premium	2,048	2,048
Cost of sales		
- completed properties for sale	250,376	380,289
- inventories	79,543	68,412
Bad debts written off	22	10,750
Reversal of impairment loss on properties under development held for own use (Note 10(b))	(22,324)	—
Provision for diminution in value of completed properties for sale	5,064	—
Write-back of provision for diminution in value of completed properties for sale	(14,227)	—
Share of associates' taxation	142,922	167,249
Share of jointly controlled entities' taxation	465,119	9,926
Dividend income	(3,090)	(6,839)

Notes on the Condensed Interim Financial Statements (unaudited)

7 INCOME TAX

Income tax in the consolidated profit and loss account represents:

	For the six months ended 31st December,	
	2005	2004 restated
	HK\$'000	HK\$'000
Current tax		
- Provision for Hong Kong Profits Tax	55,910	114,391
- Provision for taxation outside Hong Kong	9,460	19,379
Deferred tax		
- Origination and reversal of temporary differences	815,731	84,804
	<u>881,101</u>	<u>218,574</u>

Provision for Hong Kong Profits Tax has been made at 17.5% (2004:17.5%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the period.

8 DIVIDENDS

(a) Dividends attributable to the interim period:

	For the six months ended 31st December,	
	2005	2004
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK\$0.40 per share (2004: HK\$0.40 per share)	725,832	725,832

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended 31st December,	
	2005	2004
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 30th June 2005, approved and paid during the interim period of HK\$0.6 per share (2004: HK\$0.55 per share)	1,088,748	998,019

Notes on the Condensed Interim Financial Statements (unaudited)

9 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$7,649,490,000 (2004 (restated): HK\$1,788,644,000) and on 1,814,580,000 ordinary shares (2004: 1,814,580,000) in issue during the period. Diluted earnings per share for the period is not presented because the existence of outstanding guaranteed convertible notes during the six months ended 31st December, 2004 and 2005 has an anti-dilutive effect on the calculation of diluted earnings per share for the period.

10 FIXED ASSETS

(a) Additions

During the six months ended 31st December, 2005, the Group has obtained the possession of a property located in the PRC with a cost of HK\$1,344,305,000. The acquisition is satisfied by the deposits of HK\$1,177,406,000 paid in prior years and cash settlement of the remaining balance.

(b) Reversal of impairment losses

During the six months ended 31st December, 2005, based on the Group's assessment of the recoverable amount of a project site intended for hotel development purpose, reversal of impairment loss of HK\$22,324,000 is credited to the profit and loss account.

(c) Valuation

The Group's investment properties were revalued as at 31st December, 2005 by an independent firm of professional surveyors, DTZ Debenham Tie Leung Limited, on an open market value basis in their existing state by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential.

(d) Assets pledged for security

The Group's toll highway operation rights of HK\$544,250,000 (30th June, 2005: HK\$561,595,000) are pledged as securities for certain bank loans.

11 INSTALMENTS RECEIVABLE

(a) This represents the principal content of instalments receivable from the sale of flats after twelve months from the balance sheet date. The amounts receivable within twelve months from the balance sheet date are included under current assets.

(b) The ageing analysis of instalments receivable within twelve months from the balance sheet date (net of impairment loss) is as follows:

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Under 1 month overdue	293,224	476,590
More than 1 month overdue and up to 3 months overdue	2,208	2,400
More than 3 months overdue and up to 6 months overdue	1,528	1,784
More than 6 months overdue	17,849	16,488
	<u>314,809</u>	<u>497,262</u>

Notes on the Condensed Interim Financial Statements (unaudited)

12 COMPLETED PROPERTIES FOR SALE

The completed properties for sale include properties of HK\$1,508,808,000 (30th June, 2005: HK\$1,551,752,000) carried at net realisable value.

13 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rents in respect of leasing properties are payable in advance by tenants. Housing instalment and other trade debtors settle their accounts according to the payment terms as stated in the contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of impairment loss) is as follows:

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Under 1 month overdue	88,703	206,696
More than 1 month overdue and up to 3 months overdue	79,361	31,502
More than 3 months overdue and up to 6 months overdue	60,441	14,069
More than 6 months overdue	<u>191,699</u>	<u>142,383</u>
	420,204	394,650
Prepayments, deposits and other receivables	886,218	941,787
Amounts due from associates	33,274	203,505
Amounts due from jointly controlled entities	<u>447,172</u>	<u>27,097</u>
	<u><u>1,786,868</u></u>	<u><u>1,567,039</u></u>

Notes on the Condensed Interim Financial Statements (unaudited)

14 CASH AND CASH EQUIVALENTS

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Deposits with banks and other financial institutions	3,708,621	4,023,276
Cash at bank and in hand	1,794,433	312,182
Cash and cash equivalents in the balance sheet	5,503,054	4,335,458
Bank overdrafts	(179,136)	(104,285)
Cash and cash equivalents in the consolidated cash flow statement	5,323,918	4,231,173

15 CREDITORS AND ACCRUED EXPENSES

The ageing analysis of trade creditors is as follows:

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Due within 1 month and on demand	401,172	353,405
Due after 1 month but within 3 months	237,889	121,949
Due after 3 months but within 6 months	263,021	40,607
Due after 6 months	523,222	591,243
Other payables and accrued expenses	1,425,304	1,107,204
Amounts due to associates	981,712	620,230
Amounts due to jointly controlled entities	27,937	55,151
	31,687	23,206
	2,466,640	1,805,791

Notes on the Condensed Interim Financial Statements (unaudited)

16 SHARE CAPITAL

	Number of shares		Nominal value	
	At 31st December, 2005 '000	At 30th June, 2005 '000	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Authorised Ordinary shares of HK\$2.00 each	<u>2,600,000</u>	<u>2,600,000</u>	<u>5,200,000</u>	<u>5,200,000</u>
Issued and fully paid Ordinary shares of HK\$2.00 each	<u>1,814,580</u>	<u>1,814,580</u>	<u>3,629,160</u>	<u>3,629,160</u>

17 COMMITMENTS

At 31st December, 2005, the Group had commitments not provided for in these condensed interim financial statements as follows:

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
(i) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	<u>722,964</u>	638,106
(ii) Contracted obligations to fund the subsidiaries and associates established outside Hong Kong	<u>1,235,268</u>	1,691,279
(iii) Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	<u>5,103,080</u>	<u>4,859,480</u>
	<u><u>7,061,312</u></u>	<u><u>7,188,865</u></u>

Notes on the Condensed Interim Financial Statements (unaudited)

17 COMMITMENTS (cont'd)

Based on information available at the balance sheet date, the directors estimate that the Group's commitments disclosed above are payable as follows:

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Within 1 year	2,411,873	2,341,168
After 1 year but within 2 years	2,711,371	2,664,587
After 2 years	1,938,068	2,183,110
	<u>7,061,312</u>	<u>7,188,865</u>

18 SIGNIFICANT LEASING ARRANGEMENTS

At 31st December, 2005, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

(i) Building facilities

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Within 1 year	37,557	37,642
After 1 year but within 5 years	74,903	74,996
After 5 years	6,190	13,703
	<u>118,650</u>	<u>126,341</u>

(ii) Telecommunications network facilities

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
Within 1 year	852	694
After 1 year but within 5 years	—	48
	<u>852</u>	<u>742</u>

Notes on the Condensed Interim Financial Statements (unaudited)

19 CONTINGENT LIABILITIES

As at 31st December, 2005, contingent liabilities of the Group were as follows:

	At 31st December, 2005 HK\$'000	At 30th June, 2005 HK\$'000
(a) Guarantees given by the Company and its subsidiaries to financial institutions on behalf of purchasers of flats	138,732	162,189
(b) Guarantees given by the Company to banks to secure banking facilities of an associate and a jointly controlled entity	1,911,954	2,241,017
	<u>2,050,686</u>	<u>2,403,206</u>
(c) At 31st December, 2005, the Group had contingent liabilities in respect of performance bonds to guarantee for a due and proper performance of the subsidiaries' obligations amounting to HK\$53,390,000 (30th June, 2005: HK\$73,090,000).		

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and its fellow subsidiaries are as follows:

	For the six months ended 31st December,	
	2005 HK\$'000	2004 HK\$'000
Other interest expense (note ii)	<u>21,638</u>	<u>4,711</u>

(b) Transactions with associates and jointly controlled entities

Details of material related party transactions between the Group and its associates and jointly controlled entities are as follows:

	For the six months ended 31st December,	
	2005 HK\$'000	2004 HK\$'000
Other interest income (note ii)	31,853	17,171
Building construction income (note iii)	739,393	267,736
Professional fee income (note i)	8,763	31,938
Sales commission income (note i)	16,811	125,709
Rental expenses (note i)	<u>16,455</u>	<u>12,649</u>

Notes on the Condensed Interim Financial Statements (unaudited)

20 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) Transactions with related companies

Details of material related party transactions between the Group and its related companies which represented trust funds managed by the directors of the Group are as follows:

	For the six months ended 31st December,	
	2005 HK\$'000	2004 HK\$'000
Building management service income (note i)	12,465	1,876
Rental commission income (note i)	6,070	4,087

In addition, the Group and one of its related companies entered into a rental agreement dated 30th March, 2004 for leasing certain units of the Group's investment properties with a monthly rental charged at 8% of the tenant's monthly turnover. The total rental income and receivable from the related company during the interim period and as at 31st December, 2005 are HK\$474,000 and HK\$1,109,000 respectively.

Notes:

- (i) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) Interest income and expenses are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Inter-Bank Offer Rate or prime rate.
- (iii) These transactions represent cost reimbursements plus certain percentage thereon as service fees.

(d) Transactions with companies controlled by a director of the Company

Mr. Lee Ka Kit, a director of the Company, through companies controlled or owned by him has separate interests in certain subsidiaries and associates of the Company or the Group and through which the Group holds its interest in certain development projects in the PRC. Mr. Lee through companies controlled or owned by him had provided finance in the form of advances to these subsidiaries and associates in accordance with the percentage of his equity interest in these companies. At 31st December, 2005, the advances made to these subsidiaries and associates through companies controlled or owned by Mr. Lee amounting to HK\$734,927,000 (30th June, 2005: HK\$472,128,000) and HK\$537,055,000 (30th June, 2005: HK\$537,055,000) respectively are unsecured. No interest is charged to these subsidiaries and associates by the companies controlled or owned by Mr. Lee under such arrangements during the period ended 31st December, 2004 and 2005.

21 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the changes in accounting policies. Further details are disclosed in note 2.

In addition, certain comparative figures have also been reclassified to conform with the current period's presentation.