1. BASIS OF PREPARATION

The condensed consolidated 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 consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") 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 accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement and the statement of changes in equity. In particular, the presentation of share of taxation of associates has been changed. The changes in presentation have been applied retrospectively. 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:

Goodwill

In previous periods, goodwill arising on acquisitions 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 on acquisition of associates previously capitalised on the balance sheet, the Group on 1st July, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$63,787,350 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st July, 2005 onwards and such 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 period ended 31st December, 2004 have not been restated (see Note 2A for the financial impact).

<u>Financial Instruments</u>

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 application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Classification and measurement of financial assets and financial liabilities

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

On or before 30th June, 2005, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("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. From 1st July, 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. 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 equity securities in accordance with the transitional provisions of HKAS 39 as available-for-sale financial assets (see Note 2A for the financial impact). The application of these relevant transitional provisions has had no effect on results for the current period.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group has classified and measured 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 "other financial liabilities". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no material effect on the results for the current period.

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 in a continual state of sound repairs and maintenance. In the current period, the Group has applied HKAS 16 "Property, plant and equipment". HKAS 16 requires the residual value of the hotel properties to be measured as the amount the Group would currently obtain from disposal of the hotel properties, after deducting the estimated costs of disposal, if the hotel properties were already of the age and in the condition expected at the end of their respective useful lives.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Hotel Properties *(Continued)*

Upon application of HKAS 16 and Hong Kong Interpretation 2 “The Appropriate Policies for Hotel Properties” (“HK Int 2”), the Group reviewed the residual values of its hotel properties, depreciation is provided on hotel properties and these changes are accounted for as a change in accounting policy in accordance with HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

As a result, the carrying amount of property, plant and equipment at 31st December, 2005 has been decreased by HK$62,952,859 *(30th June, 2005: HK$60,976,533)*. In the meantime, deferred taxation relating to hotel properties has also been restated, resulting in a decrease in deferred taxation of HK$2,058,389 *(30th June, 2005: HK$1,933,696)*. This change in accounting policies has also resulted in a decrease in profit for the period of HK$1,851,633 *(six months ended 31st December, 2004: HK$2,811,704)*. Comparative figures have been restated (see Note 2A for the financial impact).

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. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

As a result of this change in accounting policy, prepaid lease payment of HK$1,546,000,000 has been reclassified from property, plant and equipment at 30th June, 2004. The carrying amount of prepaid lease payment has been increased by HK$1,301,602,395 *(30th June, 2005: HK$1,312,711,377)*. Retained profits have been decreased by HK$244,397,605 *(30th June, 2005: HK$233,288,623)* as a result of the amortisation in the respective periods. Profit for the period has been decreased by HK$11,108,982 *(six months ended 31st December, 2004: HK$11,108,982)*. Comparative figures have been restated (see Note 2A for the financial impact).

Effects of HKAS 16, HKAS 17 and HK Int 2 on interests in associates

Upon application of HKAS 16, HKAS 17 and HK Int 2, interests in associates at 31st December, 2005 have been decreased by HK$237,273,738 *(30th June, 2005: HK$224,967,379)* and share of results of associates for the period has been decreased by HK$12,306,359 *(six months ended 31st December, 2004: HK$12,389,443)*.

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

(a) The effect of the changes in accounting policies described above on the results for the current and prior period is as follows:

	Six months ended 31st December, 2005 HK$	Six months ended 31st December, 2004 HK$
Decrease in amortisation of goodwill	**6,257,550**	–
Increase in amortisation of prepaid lease payment	**(11,108,982)**	(11,108,982)
Increase in depreciation expenses for owner-operated hotel properties	**(1,976,326)**	(2,903,814)
Decrease in deferred taxation relating to depreciation expenses for owner-operated hotel properties	**124,693**	92,110
Share of results of associates		
Decrease in share of profits of associates	**(14,524,983)**	(14,625,691)
Decrease in share of taxation of associates	**2,218,624**	2,236,248
Decrease in profit for the period	**(19,009,424)**	(26,310,129)

(b) The cumulative effect of the application of the new HKFRSs on 30th June, 2005 and 1st July, 2005 is summarised below:

	As at 30th June, 2005 (as originally stated) HK$	Effects of HKAS 16, HKAS 17 and HK Int 2 HK$	As at 30th June, 2005 (as restated) HK$	Effect of HKAS 39 HK$	As at 1st July, 2005 (as restated) HK$
Balance sheet items					
Property, plant and equipment	1,961,455,327	(1,606,976,533)	354,478,794	–	354,478,794
Prepaid lease payment – non-current portion	–	1,290,493,413	1,290,493,413	–	1,290,493,413
Prepaid lease payment – current portion	–	22,217,964	22,217,964	–	22,217,964
Interests in associates	1,476,821,088	(224,967,379)	1,251,853,709	–	1,251,853,709
Available-for-sale financial assets	–	–	–	411,418,481	411,418,481
Investments in securities	411,418,481	–	411,418,481	(411,418,481)	–
Deferred taxation	(1,936,137)	1,933,696	(2,441)	–	(2,441)
Total effects on assets and liabilities	3,847,758,759	(517,298,839)	3,330,459,920	–	3,330,459,920
Retained profits (accumulated losses)	422,634,602	(517,298,839)	(94,664,237)	–	(94,664,237)
Total effects on equity	422,634,602	(517,298,839)	(94,664,237)	–	(94,664,237)

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) The cumulative effect of the application of the new HKFRSs on 30th June, 2004 is summarised below:

	As at 30th June, 2004 (as originally stated) *HK$*	Effects of HKAS 16, HKAS 17 and HK Int 2 *HK$*	As at 30th June, 2004 (as restated) *HK$*
Balance sheet items			
Property, plant and equipment	1,959,223,691	(1,601,168,906)	358,054,785
Prepaid lease payment – non-current portion	–	1,312,711,377	1,312,711,377
Prepaid lease payment – current portion	–	22,217,964	22,217,964
Interests in associates	1,394,709,941	(200,188,493)	1,194,521,448
Deferred taxation	(2,027,513)	1,749,477	(278,036)
Total effects on assets and liabilities	3,351,906,119	(464,678,581)	2,887,227,538
Retained profits (accumulated losses)	352,434,626	(464,678,581)	(112,243,955)
Total effects on equity	352,434,626	(464,678,581)	(112,243,955)

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new standards and interpretations but is not yet in a position to determine whether these new standards and interpretations would have a significant impact on how its results of operations and financial position are prepared and presented. These new standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

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.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions - hotel operations, club operations, investment holding and hotel management services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	– operate a hotel
Club operations	– operate a club
Investment holding	– investments in listed securities
Hotel management services	– provide hotel management services

Segment information about these businesses is presented below.

Six months ended 31st December, 2005

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Hotel management services *HK$*	Consolidated *HK$*
TURNOVER	**81,885,883**	**3,760,928**	**2,031,696**	**989,260**	**88,667,767**
RESULT					
Segment result	**19,593,738**	**744,174**	**2,029,350**	**989,260**	**23,356,522**
Unallocated corporate expenses					**(1,923,561)**
Net finance costs					**(20,750,213)**
Share of results of associates					**34,910,614**
Profit before taxation					**35,593,362**
Income tax expense					**(2,068,292)**
Profit for the period					**33,525,070**

Six months ended 31st December, 2004 (as restated)

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Hotel management services *HK$*	Consolidated *HK$*
TURNOVER	75,379,037	3,532,384	1,505,985	989,260	81,406,666
RESULT					
Segment result	11,373,788	738,658	1,501,475	989,260	14,603,181
Unallocated corporate expenses					(4,663,608)
Net finance costs					(11,713,380)
Share of results of associates					26,301,322
Profit before taxation					24,527,515
Income tax expense					(2,564,331)
Profit for the period					21,963,184

4. FINANCE INCOME

	Six months ended 31st December, 2005 HK$	31st December, 2004 HK$
Interest income on:		
Advance to an associate	**739,920**	179,155
Bank deposits	**335,802**	18,247
	1,075,722	197,402

5. FINANCE COSTS

	Six months ended 31st December, 2005 HK$	31st December, 2004 HK$
Interest expenses on:		
Bank loans wholly repayable within five years	**18,060,814**	4,430,782
Advance from an associate	**3,115,495**	1,694,726
Other unsecured loans	**135,392**	4,356,706
	21,311,701	10,482,214
Financing charges	**514,234**	1,428,568
	21,825,935	11,910,782

6. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates for the period ended 31st December, 2004 included amortisation of goodwill arising on the acquisition of an associate of HK$6,257,550. There was no amortisation for the current period after the adoption of HKFRS 3 as stated in Note 2.

7. INCOME TAX EXPENSE

	Six months ended 31st December, 2005 HK$	31st December, 2004 HK$ (as restated)
The Company and its subsidiaries:		
Hong Kong Profits Tax		
Current period	**1,348,418**	3,517,268
(Over)underprovision in prior periods	**(31,559)**	1,291
	1,316,859	3,518,559
Deferred taxation	**751,433**	(954,228)
	2,068,292	2,564,331

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

8. PROFIT FOR THE PERIOD

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
		(as restated)
Profit for the period has been arrived at after charging:		
Cost of hotel inventories	**4,512,510**	4,488,726
Amortisation of prepaid lease payment	**11,108,982**	11,108,982
Depreciation of property, plant and equipment	**5,132,009**	4,670,056

9. DIVIDEND

	Six months ended	
	31st December, 2005	31st December, 2004
	HK$	*HK$*
Final dividend for the year ended 30th June, 2005:		
HK3.5 cents *(year ended 30th June, 2004: HK3 cents)* per share	**29,158,506**	24,710,965

The Directors determined that an interim dividend for the six months ended 31st December, 2005 of HK2.2 cents *(six months ended 31st December, 2004: HK2 cents)* per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 21st April, 2006.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK$33,525,070 *(six months ended 31st December, 2004: HK$21,963,184 as restated)* and on the weighted average number of 833,559,215 *(six months ended 31st December, 2004: 824,065,040)* shares in issue during the period.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2005, the Group spent approximately HK$10,500,000 *(six months ended 31st December, 2004: HK$2,861,000)* on property, plant and equipment.

12. INTERESTS IN ASSOCIATES

	31st December, 2005	30th June, 2005
	HK$	*HK$*
		(as restated)
SHARE OF NET ASSETS		
– At the end of period/year as originally stated	**1,100,250,919**	1,290,307,684
– Effects of adoption of HKAS 16, HKAS 17 and HK Int 2	**–**	(224,967,379)
– As restated	**1,100,250,919**	1,065,340,305
GOODWILL		
Cost		
– At the end of period/year	**250,300,754**	250,300,754
– Elimination of accumulated amortisation upon the application of HKFRS 3 *(Note 2)*	**(63,787,350)**	–
	186,513,404	250,300,754
Amortisation		
– At the end of period/year	**63,787,350**	63,787,350
– Elimination of accumulated amortisation upon the application of HKFRS 3 *(Note 2)*	**(63,787,350)**	–
	–	63,787,350
Carrying Values	**186,513,404**	186,513,404
	1,286,764,323	1,251,853,709

The Inland Revenue Department (the "IRD") initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown"), of the Group's associates, Asian Glory Limited ("AGL"). Notices of assessment for additional tax in an aggregate amount of approximately HK$133,062,000 were issued to Bestown for the years under review and objections were properly lodged with the IRD by Bestown. The effective share of the additional tax attributable to the Group as at 31st December, 2005 is estimated to be approximately HK$33,265,000. In the opinion of the management of Bestown, as the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of the tax inquiries, cannot presently be determined by the management of Bestown with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Bestown.

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.

13. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	31st December, 2005	30th June, 2005
	HK$	*HK$*
Trade receivables		
0-30 days	**4,760,149**	4,101,049
31-60 days	**1,301,973**	787,298
61-90 days	**282,763**	184,922
	6,344,885	5,073,269
Other receivables	**2,802,945**	3,157,178
	9,147,830	8,230,447

The fair value of the amount at 31st December, 2005 approximated to its corresponding carrying amount.

14. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	31st December, 2005	30th June, 2005
	HK$	*HK$*
Trade payables		
0-30 days	**5,859,122**	2,856,660
31-60 days	**249,033**	208,814
61-90 days	**23,485**	2,967
	6,131,640	3,068,441
Other payables	**17,461,359**	11,134,829
	23,592,999	14,203,270

The fair value of the amount at 31st December, 2005 approximated to its corresponding carrying amount.

15. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had commitments and contingent liabilities as follows:

		31st December, 2005	30th June, 2005
		HK$	*HK$*
(a)	Commitments in respect of purchase of operating equipment contracted but not provided for	**–**	1,068,333
(b)	Commitments in respect of hotel renovation contracted but not provided for	**5,746,146**	–
(c)	Guarantees given to banks, in respect of loan facilities utilised by an associate	**213,500,000**	216,000,000

16. PLEDGE OF ASSETS

(a) At 31st December, 2005, the Group has pledged its hotel properties and prepaid lease payment having net book values of HK$335,290,581 *(30th June, 2005: HK$343,133,967 as restated)* and HK$1,301,602,395 *(30th June, 2005: HK$1,312,711,377 as restated)*, available-for-sale financial assets *(30th June, 2005: investments in securities)* at market value of HK$433,610,500 *(30th June, 2005: HK$411,418,481)* and pledged by way of floating charges in other assets of HK$51,487,924 *(30th June, 2005: HK$39,839,115)* to banks to secure long-term loan facilities granted to the Group;

(b) The Group has pledged its time deposit of HK$1,409,796 *(30th June, 2005: HK$1,384,746)* to secure a letter of guarantee issuance facility; and

(c) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure loan facilities granted to the Group.