



英皇娛樂酒店有限公司
Emperor Entertainment Hotel Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 296)



EMPEROR

Interim Report 2005/2006

EMPEROR ENTERTAINMENT HOTEL LIMITED

CONTENTS

	<i>Pages</i>
MANAGEMENT DISCUSSION AND ANALYSIS	1-6
NOTICE OF PAYMENT OF INTERIM DIVIDEND	7
CONDENSED CONSOLIDATED INCOME STATEMENT	8
CONDENSED CONSOLIDATED BALANCE SHEET	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	11
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	12-26
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES	27-29
SHARE OPTIONS	30
INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS	31-32
CORPORATE GOVERNANCE	33
MODEL CODE FOR SECURITIES	33
AUDIT COMMITTEE	34
REMUNERATION COMMITTEE	34
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	35

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September, 2005 (the "Period"), Emperor Entertainment Hotel Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") repositioned itself as an entertainment platform. The Group's recently-acquired cruise vessel the "Golden Princess" contributed to its earnings for the full six-month period, boosting its turnover to approximately HK\$67.6 million, compared with no turnover contributed to the Group in the previous period. Profit amounted to approximately HK\$18.7 million, compared with approximately HK\$15.7 million in the previous corresponding period, due to an increase in carrying value of investment property of approximately HK\$20.4 million.

During the Period, the Group was in full gear preparing for the launch of its hotel in Macau, namely the Grand Emperor Hotel, its flagship project which is expected to generate major revenue for the Group in the future. It has also started the construction works of its property development project, a shopping arcade and service apartments complex, in Shanghai.

OPERATION REVIEW

The Group's development projects and various investment are discussed as follows:

Cruise-related activities

The Group received a turnover of approximately HK\$67.6 million and profit of approximately HK\$21.4 million, from its cruise-related operations. This followed its purchase on 15th February, 2005 of the Golden Princess from the Company's substantial shareholder.

The turnover from this segment was derived from rental and operations of cruise-related activities. This segment constitutes a stable revenue stream generating cash-flow.

OPERATION REVIEW (Continued)

Hotel and entertainment operations

This segment was still in its development stage and recorded a loss of approximately HK\$10.6 million during the Period.

In November 2004, the Group announced to acquire an effective interest of 45% of a property in Macau which was completed on 3rd May, 2005 and would be renovated into a hotel named as Grand Emperor Hotel.

The hotel, in renovation stage during the Period, is expected to commence business in January 2006.

Property sales and development

This segment recorded a profit of approximately HK\$20.0 million because of the rise in fair value of its investment property in Shanghai, the People's Republic of China (the "PRC").

The property development project – to be developed into a retail development in Yu Yuan, Shanghai – was in investment stage during the Period. The Group planned to build on the 22,870 square meter site a commercial complex named Emperor Star City in 50:50 share with a local partner. The Group envisages to enjoy lucrative returns from the project, in which it only contributed the land, with construction being undertaken by its local partner and potential market risk covered by a put option. The main body of the project will be a six-storey shopping arcade, and the entire project is expected to have a gross area over 120,000 square metres. A ground breaking ceremony was held in June 2005. It is scheduled to complete in 2008.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Period.

Post Balance Sheet Event

Cancellation of Share Premium

On 20th September, 2005, the board of directors (the "Board") announced that a capital reorganisation was proposed by way of cancellation of the share premium ("Share Premium Cancellation"). Pursuant to the Share Premium Cancellation, the entire amount standing to the credit of the share premium account of the Company was to be cancelled, with part of the credit arising therefrom being applied to eliminate the accumulated losses of the Company as at 31st March, 2005 in the sum of approximately HK\$711.6 million in full and the remaining balance of the credit in the amount of approximately HK\$543.4 million being credited to the contributed surplus account of the Company. The Share Premium Cancellation was approved by the shareholders of the Company in a special general meeting held on 2nd November, 2005 and took effect on the same date.

USE OF PROCEEDS

At the end of the preceding financial year, the unused proceeds arising from the placing, the rights issue and the subscription of new shares in prior year amounted to approximately HK\$371.7 million. During the Period, the Company fully utilised the proceeds, with HK\$333.0 million being applied to the hotel development project in Macau and the remaining balance of approximately HK\$38.7 million for the Group's general working capital.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group mainly funded its operations and capital expenditure through bank borrowing, advances from a related company and minority shareholders of a subsidiary. As at 30th September, 2005, the bank borrowing which was denominated in Hong Kong dollar, secured, interest bearing and had fixed repayment term amounted to approximately HK\$95.7 million. The advances from a related company and the minority shareholders were approximately HK\$47.8 million and HK\$477.5 million respectively, all of which were denominated in Hong Kong dollars, unsecured, non-interest bearing and had no fixed repayment term.

The Group's current assets and current liabilities as at the end of the Period were approximately HK\$318.3 million and HK\$47.9 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) increased from 19% in the preceding financial year to 55%, which was mainly due to additional advances from a related company and minority shareholders of a subsidiary as well as the new bank loan raised for the Period.

Save as disclosed above and trade and other payables and accrued charges, the Group had no other external borrowings. Bank balances and cash on hand of the Group as at 30th September, 2005 totaled approximately HK\$300.7 million, which were mainly denominated in Hong Kong dollars and Macau Pataca. With the borrowings and bank balances and cash on hand mainly denominated in Hong Kong dollars and Macau Pataca, the Group experienced no significant exposure to foreign exchange rate fluctuation for the Period.

With its sufficient bank balances and cash on hand as well as its existing loan facility, the directors of the Company considered to have sufficient working capital for the operations and the future development of the Group.

COMMITMENTS AND CONTINGENCY

As at 30th September, 2005, the Group had total commitments of approximately HK\$431.8 million, of which approximately HK\$330.4 million was for property and hotel development projects in Shanghai and in Macau and approximately HK\$101.4 million for purchase of property, plant and equipment. The Group also had a contingent liability of approximately HK\$448.6 million in respect of capital commitments entered into by the Group for a joint venture partner of the property development project in Shanghai.

PLEDGE OF ASSET

At the end of the Period, an asset with carrying value of HK\$645.0 million was pledged to a bank as security for a banking facility granted to the Group.

NUMBER AND REMUNERATION OF EMPLOYEES

With the new hotel project in Macau in progress and the Group diversifying its business through the acquisition of the Golden Princess, the Group employed 616 staff as at 30th September, 2005 (2004: 2). Total staff costs, including directors' remuneration, for the Period were approximately HK\$22.4 million (2004: HK\$0.5 million). The management would continue to monitor the progress of the projects and recruit new staff when appropriate.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 2nd September, 2002. During the Period, the Company granted share options to certain directors of the Company.

PROSPECTS

The Group had been in full gear to prepare for the launch of the Grand Emperor Hotel in Macau during the Period. The hotel comprises about 300 rooms, retail outlets, restaurants, as well as six floors of entertainment facilities. Aiming to provide premium accommodation and entertainment services, the Grand Emperor Hotel will commence business in January 2006.

To take advantage of the booming commercial property market in China, the Group reactivated its property project in Shanghai. Located at Yu Yuan, Shanghai, the project is adjacent to the new M10 route of the Shanghai Metro, which is being built to match the opening of Shanghai Expo in 2008. The project includes a six-storey shopping arcade for generating long-term rental revenue. The Group has settled the plans with the local government and the Shanghai Metro to build an exit of the Yu Yuan station that leads into the shopping mall of the subject joint venture development. The project is expected to be completed in 2008.

Meanwhile, the Group continues to explore potential business opportunities worldwide.

NOTICE OF PAYMENT OF INTERIM DIVIDEND

Interim Dividend

The Board declared the payment of an interim dividend of HK\$0.01 per share ("Dividend") for the Period (2004: Nil), amounting to approximately HK\$9.3 million. The Dividend will be paid on 23rd January, 2006 (Monday) to shareholders whose names appear on Register of Members of the Company on 11th January, 2006 (Wednesday).

Closure Of Register Of Members

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Dividend, from 9th January, 2006 (Monday) to 11th January, 2006 (Wednesday) (both days inclusive), during which period no share transfer will be effected.

In order to qualify for the Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 3rd January, 2006, the address of Secretaries Limited will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:00 p.m. on 6th January, 2006 (Friday).

The Board announces the unaudited condensed consolidated financial statements of the Group for the Period together with the comparative figures for the corresponding periods as set out below.

These condensed consolidated financial statements have not been audited nor reviewed by the Company's auditors, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Turnover	3	67,565	-
Cost of sales		(2,077)	-
Direct operating expenses		(25,296)	-
Gross profit		40,192	-
Other operating income		1,749	3,019
Selling and marketing expenses		(1,596)	-
Administrative expenses		(40,537)	(2,134)
Finance costs		(1,865)	(406)
Increase in fair value of investment property		20,364	-
Reversal of allowance for deposit paid for the purchase of properties		-	15,168
Profit before taxation		18,307	15,647
Taxation	4	(6,939)	-
Profit for the period	3 & 5	11,368	15,647
Attributable to:			
Equity holders of the Company		18,665	15,653
Minority interests		(7,297)	(6)
		11,368	15,647
Earnings per share	6		
- basic (2004: restated)		HK\$0.02	HK\$0.07
- diluted		HK\$0.02	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	Notes	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
Non-current assets			
Investment property	7	237,049	–
Property, plant and equipment	7	1,033,938	133,267
Property under development	7	200,847	360,298
Deposits made on acquisition of a subsidiary		–	196,757
Deposits made on acquisition of property, plant and equipment		71,245	4,899
Other assets		–	27,382
Goodwill		69,076	18,301
		1,612,155	740,904
Current assets			
Inventories, at cost		1,974	1,239
Trade receivables	8	11,207	–
Deposits, prepayments and other receivables		4,398	4,952
Amount due from a related company		–	1,146
Bank balances and cash		300,681	525,961
		318,260	533,298
Current liabilities			
Trade payables	9	4,263	3,629
Accrued charges and other payables		25,986	10,456
Amount due to related company		5,037	–
Secured bank borrowing – due within one year		12,638	–
		47,924	14,085
Net current assets		270,336	519,213
Total assets less current liabilities		1,882,491	1,260,117
Non-current liabilities			
Amount due to a related company		47,753	18,005
Amounts due to minority shareholders of a subsidiary		477,491	180,000
Secured bank borrowing – due after one year		83,111	–
Deferred taxation		73,036	5,533
		681,391	203,538
		1,201,100	1,056,579
Capital and reserves			
Share capital		93	93
Reserves		1,120,091	1,056,937
Equity attributable to equity holders of the Company		1,120,184	1,057,030
Minority interests		80,916	(451)
Total equity		1,201,100	1,056,579

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital		Share			Total	Minority interests	Total equity
			redemption reserve	Contributed surplus	option reserve	Translation reserve	Accumulated losses			
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1st April, 2004	11	564,363	666	514,191	-	6,021	(736,673)	348,579	1,925	350,504
Exchange difference arising on translation of overseas operations	-	-	-	-	-	56	-	56	5	61
Distribution to a minority shareholder upon winding up of a subsidiary	-	-	-	-	-	-	-	-	(53)	(53)
Acquisition of additional interests in a subsidiary from a minority shareholder	-	-	-	-	-	-	-	-	(1,871)	(1,871)
Profit (loss) for the period	-	-	-	-	-	-	15,653	15,653	(6)	15,647
At 30th September, 2004	11	564,363	666	514,191	-	6,077	(721,020)	364,288	-	364,288
At 1st April, 2005, as originally stated	93	1,254,982	666	514,191	-	6,175	(719,077)	1,057,030	(451)	1,056,579
Effects of changes in accounting policies (notes 2(b), 2(c) and 2(d))	-	-	-	-	-	-	33,966	33,966	30,340	64,306
As restated	93	1,254,982	666	514,191	-	6,175	(685,111)	1,090,996	29,889	1,120,885
Exchange difference arising on translation of overseas operations	-	-	-	-	-	6,559	-	6,559	-	6,559
Contribution from minority shareholders	-	-	-	-	-	-	-	-	23	23
Gain on fair value of interest-free loans	-	-	-	-	-	-	-	-	58,301	58,301
Recognition of equity-settled share-based payment	-	-	-	-	3,964	-	-	3,964	-	3,964
Profit (loss) for the period	-	-	-	-	-	-	18,665	18,665	(7,297)	11,368
At 30th September, 2005	93	1,254,982	666	514,191	3,964	12,734	(666,446)	1,120,184	80,916	1,201,100

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Net cash from operating activities	16,296	11,234
Net cash used in investing activities	(742,517)	(15,773)
Net cash from (used in) financing activities	500,930	(887)
Net decrease in cash and cash equivalents	(225,291)	(5,426)
Cash and cash equivalents at the beginning of the period	525,961	5,587
Effect of foreign exchange rate changes	11	-
Cash and cash equivalents at the end of the period		
Bank balances and cash	300,681	161

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared on the historical costs basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts as appropriate.

The accounting policies adopted for preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2005 except as described below.

In the Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards (HKASs) 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. 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 interests has been changed. The change in presentation has 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 effects on how the results for the current or prior accounting periods are prepared and presented:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Share-based Payments

In the Period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

During the Period, the Company granted share options to certain directors of the Company for their services rendered in accordance with the Company's share option scheme. The Group has applied HKFRS 2 to the share options granted on or after 1st April, 2005. The effect of the change was to increase expenses of HK\$3,964,000 and to give rise a share option reserve of the same amount. In prior year, no share options were granted. Hence, no prior period adjustment has been required.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Financial Instruments

In the 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 to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 32 and HKAS 39 is summarised below:

Financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial liabilities are generally classified as "financial liabilities at fair value through profit and loss" or "financial liabilities other than financial liabilities at fair value through profit and loss (other financial liabilities)". Other financial liabilities are carried at amortised cost using effective interest method.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Financial Instruments (Continued)

Prior to the application of HKAS 39, interest-free loans from a related company and minority shareholders of a subsidiary were stated at the nominal amount. HKAS 39 requires all financial assets and liabilities be measured at fair value on the initial recognition. Such loans are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The change in accounting policy has resulted in a reduction of the carrying amounts of amount due to a related company and amounts due to minority shareholders of a subsidiary as at 1st April, 2005 by approximately HK\$2,759,000 and HK\$27,581,000 respectively, and an increase of minority interests as at 1st April, 2005 by approximately HK\$30,340,000. The effect of the change on the results of the Period was to increase finance costs by approximately HK\$8,880,000, out of which an amount of approximately HK\$7,015,000 had been capitalised, due to the recognition of imputed interest expenses.

(c) Investment Properties

In the Period, the Group, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Investment Properties (Continued)

As at 1st April, 2005, the Group reclassified the land use rights of a property development project at a cost of approximately HK\$162,354,000 from property under development to investment property. Due to the application of HKAS 40, this investment property was subject to revaluation using the fair value model. The effect of the change was that the resulting increase in fair value of the investment property as at 1st April, 2005 amounting to approximately HK\$50,695,000 had been recognised directly to the accumulated losses and the increase in the fair value of approximately HK\$20,364,000 during the Period had been directly recognised in the income statement.

(d) Deferred Taxes related to Investment Properties

With the effect of the application of HKAS 40 as mentioned above, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment property are to be recovered through sale. Therefore, the deferred tax consequences of the investment property are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date.

The impact of the application of HKAS Interpretation 21 was that deferred taxation of approximately HK\$16,729,000 and HK\$7,006,000, relating to the investment property, had been directly recognised in the accumulated losses as at 1st April, 2005 and the income statement. Accordingly, deferred taxation liabilities were in aggregate increased by approximately HK\$23,735,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined business segments to be presented as the primary reporting format. An analysis of the Group's business segmental information is as follows:

	Cruise-related activities (Unaudited) HK\$'000	Hotel and entertainment operations (Unaudited) HK\$'000	Property sales and development (Unaudited) HK\$'000	Unallocated corporate items (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30th September, 2005					
TURNOVER	67,565	-	-	-	67,565
RESULTS					
Segment results	21,448	(10,634)	20,007	(12,031)	18,790
Interest income					1,382
Finance costs					(1,865)
Profit before taxation					18,307
Taxation					(6,939)
Profit for the period					11,368

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

3. SEGMENT INFORMATION (Continued)

	Property sales and development (Unaudited) <i>HK\$'000</i>	Unallocated corporate items (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
For the six months ended 30th September, 2004			
TURNOVER	-	-	-
RESULTS			
Segment results	17,211	(1,514)	15,697
Interest income			356
Finance cost			(406)
Profit before taxation			15,647
Taxation			-
Profit for the period			15,647

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th September, 2005

4. TAXATION

	Six months ended	
	30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
The charge comprises:		
PRC enterprise income tax		
– overprovision in prior years	67	–
Deferred taxation		
– current period	(7,006)	–
	(6,939)	–

The PRC enterprise income tax is calculated at the rates prevailing in the PRC.

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

5. PROFIT FOR THE PERIOD

	Six months ended	
	30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	2,857	1
Loss on disposal of property, plant and equipment	16	-
and after crediting:		
Interest income from:		
– bank and other deposits	1,382	1
– a minority shareholder of a subsidiary	-	355
Rental income (net of nil outgoings)	356	17
Reversal of allowance for amount due from a minority shareholder of a subsidiary	-	2,609
	-	2,609

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th September, 2005

6. EARNINGS PER SHARE

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

	Six months ended	
	30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	18,665	15,653

	As at	
	30th September, 2005 (Unaudited)	30th September, 2004 (Unaudited) (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	928,771,980	232,716,955
Effect of dilutive potential ordinary shares:		
Share options	2,732,240	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	931,504,220	

Note: The weighted average number of ordinary shares in 2004 had been adjusted for 1 to 10 share subdivision and rights issue effective on 3rd January, 2005 and 21st January, 2005, respectively.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

7. MOVEMENTS OF INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND PROPERTY UNDER DEVELOPMENT

As at 1st April, 2005, the Group reclassified the land use rights of a property development project in Shanghai at a cost of approximately HK\$162,354,000 from property under development to investment property. In addition, the currency realignment of investment property and property under development for the Period were approximately HK\$3,636,000 and HK\$2,903,000 respectively. The Group's investment property were stated at fair value by the directors of the Company as at 1st April, 2005 and subsequently revalued at the balance sheet date. The resulting increases in fair value of the investment property during the Period were, in aggregate, approximately HK\$71,059,000.

During the Period, the Group acquired a property in Macau at a fair value of HK\$645,000,000 through the acquisition of a subsidiary. The Group also transferred other assets and deposits made on acquisition of property, plant and equipment amounting to approximately HK\$34,881,000 and HK\$4,899,000 respectively to property, plant and equipment.

In addition, the Group acquired property, plant and equipment at a cost of approximately HK\$209,905,000, capitalised borrowing costs of approximately HK\$8,857,000 and disposed of property, plant and equipment with aggregate of net book value of approximately HK\$16,000. The currency realignment of the property, plant, equipment for the Period amounted to approximately HK\$2,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th September, 2005

8. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The unaudited aged analysis of the Group's trade receivables at the balance sheet date falls within 0 - 30 days.

9. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	As at	
	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
0 - 30 days	3,407	3,163
31 - 60 days	839	466
61 - 90 days	17	-
	4,263	3,629

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

10. COMMITMENTS AND CONTINGENCY

(a) Capital commitments

	As at	
	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
Authorised but not contracted for in respect of:		
– property and hotel development projects	138,714	431,984
– property, plant and equipment	56,118	124,549
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property and hotel development projects	191,727	80,789
– property, plant and equipment	45,253	13,641
– acquisition of a subsidiary	–	451,500
	431,812	1,102,463

(b) Contingent liability

At the balance sheet date, the Group had entered into capital commitments of approximately HK\$448,569,000 (At 31st March, 2005 (Audited): Nil) for a joint venture partner of a property development project in the PRC.

11. PLEDGE OF ASSET

At the balance sheet date, an asset of the Group with carrying value of HK\$645,000,000 (At 31st March, 2005 (Audited): Nil) was pledged to a bank as security for a banking facility granted to the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th September, 2005

12. ACQUISITION OF A SUBSIDIARY

On 3rd May, 2005, the Group acquired the entire issued share capital of Pacific Strong Base (Holdings) Company Limited, in which the Group indirectly holds 45% interests, at a total consideration of approximately HK\$652,007,000. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination (Unaudited) <i>HK\$'000</i>	Fair value adjustment (Unaudited) <i>HK\$'000</i>	Fair value (Unaudited) <i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	367,110	277,890	645,000
Deferred taxation	–	(43,768)	(43,768)
Shareholders' loans	(366,421)	–	(366,421)
	<u>689</u>	<u>234,122</u>	<u>234,811</u>
Assignment of shareholders' loans			366,421
Goodwill			50,775
			<u>652,007</u>
Satisfied by:			
Cash			455,250
Deposits made on acquisition of the subsidiary in prior year			196,757
			<u>652,007</u>
Analysis of outflow of cash and cash equivalents in connection with the acquisition of the subsidiary:			
Cash consideration			<u>455,250</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2005

12. ACQUISITION OF A SUBSIDIARY (Continued)

The subsidiary contributed no turnover to the Group and a loss of approximately HK\$8,449,000 to the Group's profit before taxation between the date of acquisition and the balance sheet date.

Proforma Group's revenue and results:

There is no significant difference in the Group's revenue and profit before taxation for the Period as disclosed above if the acquisition had been completed on 1st April, 2005 as the company is in investment stage.

13. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following material transactions with related parties:

	Six months ended	
	30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Fair value of share options granted to directors	3,964	-
Purchase of furnitures from a related company (notes (a) and (c))	886	-
Reimbursement of administrative expenses to a related company (notes (a) and (b))	5,385	-
Rental income from a related company (notes (a) and (c))	66,030	-

Notes:

- (a) Certain directors and substantial shareholder of the Company have beneficial or deemed interests in the above related companies.
- (b) The fees were charged on a cost basis.
- (c) The transaction was carried out after negotiations between the Group and the related companies and on basis of estimated market value/rate as determined by the directors of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(a) Long position interests in the Company

(i) Interests in shares

Name of director	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note 1)	Family	320,811,555	34.54%

(ii) Interests in options

Name of director	Capacity/ Nature of interests	Number of underlying shares held	Approximate percentage holding
Mr. Wong Chi Fai (Note 2)	Beneficial owner	5,000,000	0.54%
Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan") (Note 2)	Beneficial owner	5,000,000	0.54%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

(a) Long position interests in the Company (Continued)

Notes:

1. The shares were registered in the name of Worthly Strong Investment Limited ("Worthly Strong"), an indirect wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL is a company with its shares listed in Hong Kong; 70.97% of the shares of EIHL were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by The A&A Unit Trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 320,811,555 shares held by Worthly Strong. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 320,811,555 shares held by Worthly Strong.
2. The share options were granted to directors under the share option scheme of the Company.

(b) Long position interests in associated corporation

Interests in shares

Name of director	Name of associated corporation	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage holding
Ms. Semon Luk	Great Assets Holdings Limited ("Great Assets") (Note)	Family	5	10%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

(b) Long position interests in associated corporation (Continued)

Note:

Great Assets was owned as to 90% by the Company and as to 10% by Lion Empire Investments Limited ("Lion Empire"). The entire issued share capital of Lion Empire was held by The A&S Unit Trust, a unit trust under the Trust, of which Mr. Albert Yeung was the founder. Mr. Albert Yeung was deemed to be interested in the shares of Great Assets held by Lion Empire. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the shares of Great Assets held by Lion Empire.

Save as disclosed above, as at 30th September, 2005, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company adopted a share option scheme ("Share Option Scheme") on 2nd September, 2002 (the "Adoption Date") to provide incentives or rewards to participants including the directors and eligible employees of the Group.

Under the Share Option Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing prices of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. During the Period, a total of 10,000,000 options were granted to the directors of the Company on 11th August, 2005 and the closing price of the shares of the Company on 10th August, 2005, the day immediately before the date of grant was HK\$1.93.

Particulars of outstanding options as at 30th September 2005 are as follows:

Grantee	No. of outstanding options	Date of grant	Exercise period	Exercise price per share
<i>Director</i>				
Mr. Wong Chi Fai	5,000,000	11th August, 2005	11th August, 2005 - 10th August, 2015	HK\$2.20
Ms. Vanessa Fan	5,000,000	11th August, 2005	11th August, 2005 - 10th August, 2015	HK\$2.20

Save as disclosed herein, no options lapsed and no options were granted, exercised or cancelled under the Share Option Scheme.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2005, so far as is known to any director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or had any options in respect of such capital:

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage holding
EIHL (Note 1)	Interest in a controlled corporation	320,811,555	34.54%
Charron (Note 1)	Interest in a controlled corporation	320,811,555	34.54%
Jumbo Wealth Limited (Note 1)	Trustee	320,811,555	34.54%
GZ Trust Corporation ("GZ Trust") (Note 1)	Trustee	320,811,555	34.54%
Mr. Albert Yeung (Note 1)	Founder of the Trust	320,811,555	34.54%
OZ Management, L.L.C. (Note 2)	Investment manager	102,596,087	11.05%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in shares of the Company (Continued)

Notes:

1. The shares were registered in the name of Worthly Strong, an indirect wholly-owned subsidiary of EIHL. EIHL is a company with its shares listed in Hong Kong; 70.97% of the shares of EIHL were registered in the name of Charron. The entire issued share capital of Charron was held by The A&A Unit Trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 320,811,555 shares held by Worthly Strong. The above shares were the same shares as those set out in section (a) (i) of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.
2. Out of 102,596,087 shares, OZ Management, L.L.C. had derivative interests of 44,897,387 shares in the Company.

Save as disclosed above, as at 30th September, 2005, so far as is known to the directors or chief executives of the Company, no other person (not being a director or chief executive of the Company) had any interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or held any option in respect of such capital.

CORPORATE GOVERNANCE

The Company had complied throughout the Period with the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules, except that (i) the non-executive directors of the Company were not appointed for specific terms as set out in Appendix 14 of the Listing Rules, however, they are subject to retirement and re-election at each annual general meeting in accordance with the Bye-laws of the Company; and (ii) the Chairperson had not attended the annual general meeting of the Company held on 25th August, 2005 as she was not in Hong Kong.

MODEL CODE FOR SECURITIES

The Company had adopted the Model Code (the "Code") contained in Appendix 10 to the Listing Rules as its codes of conduct regarding securities transactions by directors and relevant employees. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the Code.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference comprising the three independent non-executive directors of the Company, namely Ms. Chan Sim Ling, Irene (Chairperson of the audit committee), Mr. Lam San Keung and Ms. Chan Wiling, Yvonne. The principal duties of the audit committee included the review and supervision of the Group's financial reporting system, internal control procedures, the Group's financial information and relationship with the auditors of the Company.

The Group's unaudited consolidated financial statements for the Period have been reviewed by the audit committee, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a remuneration committee, comprising a majority of independent non-executive directors of the Company, with written terms of reference. The remuneration committee comprised Mr. Wong Chi Fai (Chairman of the remuneration committee), Ms. Chan Sim Ling, Irene and Ms. Chan Wiling, Yvonne.

The principal responsibilities of the remuneration committee included making recommendations to the board of directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Luk Siu Man, Semon

Chairperson

Hong Kong, 15th December, 2005

As at the date hereof, the Board of the Company comprised 1. Chairperson and Non-Executive Director: Ms. Luk Siu Man, Semon; 2. Executive Directors: Mr. Wong Chi Fai, Ms. Fan Man Seung, Vanessa and Ms. Mok Fung Lin, Ivy; 3. Independent Non-Executive Directors: Ms. Chan Sim Ling, Irene, Mr. Lam San Keung and Ms. Chan Wiling, Yvonne.