



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

(Incorporated in Bermuda with limited liability)
(Stock Code : 296)



Interim Report 2006/2007

EMPEROR ENTERTAINMENT HOTEL LIMITED

CONTENTS

	<i>Pages</i>
MANAGEMENT DISCUSSION AND ANALYSIS	1-9
NOTICE OF PAYMENT OF INTERIM DIVIDEND	9
CONDENSED CONSOLIDATED INCOME STATEMENT	10
CONDENSED CONSOLIDATED BALANCE SHEET	11
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	13
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	14-26
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	32
MODEL CODE FOR SECURITIES	33
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	33

MANAGEMENT DISCUSSION AND ANALYSIS

The period under review which ended 30th September, 2006 (the "Period") is the first six-month financial period during which Emperor Entertainment Hotel Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have operated as a full-scale entertainment and leisure conglomerate.

Revenue soared by more than 7 times to approximately HK\$593.3 million during the Period, up from HK\$67.6 million in 2005. Profit attributable to shareholders rose 485% to approximately HK\$109.2 million, up from HK\$18.7 million previously. The surge in revenue and profit is mainly attributable to contributions from the Group's flagship project, Grand Emperor Hotel in the Macau Special Administrative Region and an appreciation of investment properties.

OPERATION REVIEW

Hotel and gaming operations

Grand Emperor Hotel in Macau is the Group's flagship project. The hotel officially commenced business in January 2006 and was the first new hotel for Macau in the year 2006, in line with the Group's strategy to get in early in the fast growing and lucrative market. The Period marks the first period which recorded a full six-month operation of the hotel with its full-scale entertainment facilities. The results showed positive contributions from all segments.

The Grand Emperor Hotel is located at the heart of Macau's city centre, a short distance from the main ferry terminal and the casino landmark Hotel Lisboa. Targeting medium to high rollers, the Grand Emperor Hotel has 136,660 square feet of gaming space spreading over seven floors. It offers 348 slot machine seats and a total of approximately 90 gaming tables in the gaming concourse and VIP rooms, featuring mainly baccarat – the most popular table game in Macau.

The luxuriously designed hotel also provides comprehensive entertainment and dining facilities with a European-themed decor and 291 hotel rooms, including the fabulously appointed The Emperor Suite, which is more than 7,000 square feet in size.

OPERATION REVIEW (Continued)

Hotel and gaming operations (Continued)

The Group owns 45% of the project. With management control vesting in the Group and other stakeholders remaining passive investors, the project's financials are consolidated into the Group's balance sheet to provide transparency for the market and investors.

Since the commencement of business in January 2006, the hotel has quickly established its brand name in Macau, the world's second largest gaming market. Despite intensifying industry competition with the arrival of several new players in the market, the project recorded revenue of approximately HK\$532.1 million (2005: Nil), and profit reached approximately HK\$210.1 million, out of which approximately HK\$123.1 million was attributable to the appreciation of investment properties and HK\$87.0 million represented the segment's operating profit during the Period, as compared with a loss of HK\$10.6 million previously.

Gaming Revenue

Despite keen market competition, the Group's casino operations, run by licence holder Sociedele de Jogos de Macau, S.A., performed in line with management expectations. All segments had picked up quickly since the project launched in January 2006. Management expects continual improvement in its results when the hotel reaches its full capacity of 64 gaming tables in its gaming concourse and eight VIP halls.

Gaming Concourse

During the Period, the Group had 48 tables in operation in the mass market-targeted concourse, up from 44 tables as reported in the latest annual report. These tables had a gross win of approximately HK\$235.9 million, with an average win of approximately HK\$28,000 per table per day, up from approximately HK\$23,000 as reported in the latest annual report. Income for the Period was approximately HK\$94.3 million.

OPERATION REVIEW (Continued)

Hotel and gaming operations (Continued)

Slots

Slot machines recorded a gross win of approximately HK\$58.6 million from the operation of 348 slot seats, up from 333 seats as reported in the latest annual report. The slot machines returned an average win of approximately HK\$900 per seat per day, compared with approximately HK\$700 as reported in the latest annual report. Income for the Period was approximately HK\$18.2 million

VIP – Self-managed

The Group manages one of the eight VIP halls within the hotel. Supported by a decade-long operating experience in Macau, the six gaming tables of the Group in its VIP hall, all of which offer baccarat, recorded a rolling of approximately HK\$28.9 billion and an income of approximately HK\$288.1 million. Average win per table per day was approximately HK\$676,000, compared with approximately HK\$579,000 as reported in the latest annual report.

Win percentage (calculated before discounts and commissions) was 2.6%, compared with 2.7% as reported in the latest annual report. The win percentage is subject to short-term fluctuation but is rather steady in the long run based on historical industry averages.

Income from other VIP halls

The Group received rental contributions from the leasing of five VIP halls operated within the hotel. Revenue was approximately HK\$16.9 million during the Period.

OPERATION REVIEW (Continued)

Hotel and gaming operations (Continued)

Non-gaming Revenue

The Grand Emperor Hotel recorded HK\$71.7 million in non-gaming revenue, compared with HK\$26.8 million as reported in the latest annual report. This comprised mainly of contributions from hotel rooms, food and beverage, as well as rental income from sauna, night club and retail space operations on the ground floor of the hotel. All together, this segment reported earnings of approximately HK\$5.9 million during the Period, compared with a loss of HK\$2.4 million as of 31st March, 2006.

The 291 hotel rooms returned an average daily rate of approximately HK\$700 during the Period. Occupancy rate of the available guestrooms was 81%, compared with 64% reported in the latest annual report.

According to Macau Government Documentation and Information Centre, there were 12,411 hotel rooms in Macau as of 30th September, 2006, a 16.2% increase from the previous year, with an average occupancy rate of approximately 70%. Amid growing competition and increase in room supply, the Group managed to attract and retain hotel guests with its top-class attentive service and high-end entertainment and lodging facilities.

Revenue from food and beverage was approximately HK\$29.6 million, and rental income from sauna, night club and retail space operations was approximately HK\$7.3 million.

OPERATION REVIEW (Continued)

Cruise and cruise-related operations

Revenue from this segment came from the leasing and operation of cruise-related activities of Golden Princess, the Group's wholly-owned 12,704-ton cruise liner which provides entertainment, gaming and accommodation facilities.

From its cruise-related operations, the Group received revenue of approximately HK\$61.2 million during the Period, compared with HK\$67.6 million in 2005, and a profit of approximately HK\$15.2 million, compared with HK\$21.4 million previously. This segment continues to provide stable revenue and cash flow to the Group, despite a slight drop in earnings as the Group had been focusing its marketing and promotion efforts on its recently-launched Macau casino project.

Property sales and development

This segment recorded no revenue during the Period, as its investment property project in Shanghai remains under development. The project recorded a loss of approximately HK\$1.8 million.

Located on a 22,870 square metre prime site in Yu Yuan, Shanghai, the project will be developed into a shopping arcade and service apartment complex. The main body of the complex will be a multi-storey shopping arcade, and the entire project is expected to have an area of more than 110,000 square metres.

The Group completed the foundation and basement excavation work for the development in October 2006. Basement construction is in progress. Construction has proceeded in line with management expectations.

OPERATION REVIEW (Continued)

Property sales and development (Continued)

The new M10 subway route – to be launched in 2009 – will be adjacent to the subject site and there will be entrances and exits connecting to and from our commercial complex. This is expected to boost pedestrian flow to our property and enhance the future commercial value of the development. The development project is scheduled to be completed in 2008.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There is no change in the capital structure of the Company for the Period.

During the Period, the Group mainly funded its operations and capital expenditure through its internally generated cash flow from operations. As at 30th September, 2006, the bank borrowings which were denominated in Hong Kong dollar, secured, interest bearing and had fixed repayment term amounted to approximately HK\$270.4 million. The advances from related companies totaled approximately HK\$90.8 million, which were denominated in Hong Kong dollars, unsecured, non-interest bearing and repayable on demand. The advances from minority shareholders which were denominated in Hong Kong dollars, unsecured, non-interest bearing and repayable only when the subsidiaries have surplus fund were approximately HK\$491.4 million.

The Group's current assets and current liabilities as at the end of the Period were approximately HK\$545.2 million and HK\$385.1 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) decreased from 34% in the preceding financial year to 30%, which was mainly due to repayment of bank borrowings and advances from related companies during the Period.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES (Continued)

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, 2006 totaled approximately HK\$192.7 million, which were mainly denominated in Hong Kong dollars and Macau Pataca. With the borrowings and bank balances and cash on hand 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, 2006, the Group had total commitments of approximately HK\$43.6 million, of which approximately HK\$40.8 million was for a property development project in Shanghai and approximately HK\$2.8 million for purchase of property, plant and equipment. The Group also had a contingent liability of approximately HK\$438.5 million in respect of construction contracts entered into by the Group on behalf of a joint venture partner of a property development project in Shanghai.

PLEDGE OF ASSETS

As at the end of the Period, assets with carrying values of approximately HK\$1.5 billion were pledged to a bank as security for a banking facility granted to the Group.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30th September, 2006, the Group's number of employee was 1,093 (2005: 616). Total staff costs, including directors' remuneration, for the Period were approximately HK\$82.7 million (2005: HK\$22.4 million). All employees are under remuneration policy of fixed monthly salary with discretionary bonus.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 2nd September, 2002. During the Period, the Company did not grant any option under the share option scheme and the outstanding share options as at the end of the Period was a total of 10,000,000 share options granted to certain directors of the Company in preceding financial year.

PROSPECTS

With the opening of Grand Emperor Hotel in Macau in January 2006, the Group has repositioned itself as a full-scale entertainment and leisure conglomerate, enjoying significant contributions from the new operation.

Benefited from the Group's experience and well-received brand name – especially in the important mainland China market – Grand Emperor Hotel has managed to quickly establish a significant presence in Macau. However, according to Macau Gaming Inspection and Coordination Bureau, there were 1,388 gaming tables in Macau as at the end of 2005 and 2,440 gaming tables as of 30th September, 2006. With the entry of new players and projects in Macau, market competition is expected to intensify. To strengthen the Group's foothold in the feverish market, management will remain dedicated to enhancing its entertainment facilities and providing attentive and differentiated services, to enlarge its pool of loyal customers, especially from the lucrative mid- to high-rollers.

The Group also anticipates increasing contributions when the mass market-targeted gaming concourse reaches its full capacity of 64 gaming tables, following an increased supply of dealers.

PROSPECTS (Continued)

The Group has appointed reputable international consultants for the Shanghai property development to handle leasing management and revise the design of the shopping arcade, with a view to improving pedestrian flow within the complex and thus maximising the investment value of the project. The project is set to become a commercial landmark in Shanghai.

Looking ahead, the Group will continue to look for expansion possibilities with further utilisation of the Group's execution strength and rich assets in the entertainment and retail industries.

NOTICE OF PAYMENT OF INTERIM DIVIDEND

Interim Dividend

The board of directors (the "Board") declared the payment of an interim dividend of HK\$0.04 per share ("Dividend") for the Period (2005:HK\$0.01), amounting to approximately HK\$37.2 million. The Dividend will be paid on 26th January, 2007 (Friday) to shareholders whose names appear on Register of Members of the Company on 12th January, 2007 (Friday).

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 11th January, 2007 (Thursday) to 12th January, 2007 (Friday) (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 10th January, 2007 (Wednesday).

The Board announces the unaudited condensed consolidated financial statements of the Group for the Period together with the comparative figures for the corresponding period 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, which comprises three independent non-executive directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		30th September, 2006 (Unaudited) HK\$'000	30th September, 2005 (Unaudited) HK\$'000
Revenue	2	593,289	67,565
Cost of sales		(23,258)	(2,077)
Direct operating expenses		(114,544)	(25,296)
Gross profit		455,487	40,192
Fair value change in investment properties		123,130	20,364
Other income		10,505	1,749
Selling and marketing expenses		(279,541)	(1,596)
Administrative expenses		(89,434)	(40,537)
Finance costs		(20,962)	(1,865)
Profit before taxation	4	199,185	18,307
Taxation	5	(17,702)	(6,939)
Profit for the period	3	181,483	11,368
Attributable to:			
Equity holders of the Company		109,222	18,665
Minority interests		72,261	(7,297)
		181,483	11,368
Earnings per share	6		
– basic		HK\$0.12	HK\$0.02
– diluted		N/A	HK\$0.02

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	Notes	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Non-current assets			
Investment properties	7	633,230	510,100
Property, plant and equipment	7	1,012,989	1,008,022
Prepaid lease payments		310,381	313,453
Property under development	7	332,569	326,699
Deposits made on acquisition of property, plant and equipment		2,678	16,369
Goodwill		18,301	18,301
		2,310,148	2,192,944
Current assets			
Inventories, at cost		4,917	3,147
Trade and other receivables	8	340,037	323,784
Prepaid lease payments		7,590	7,571
Amount due from a related company		-	11,347
Bank balances and cash		192,651	163,903
		545,195	509,752
Current liabilities			
Trade and other payables	9	230,970	223,354
Amounts due to related companies		90,844	144,901
Dividend payable		18,575	-
Secured bank borrowings - amounts due within one year		37,858	37,046
Taxation payable		6,890	4,870
		385,137	410,171
Net current assets		160,058	99,581
Total assets less current liabilities		2,470,206	2,292,525
Non-current liabilities			
Secured bank borrowings - amounts due after one year		232,537	251,519
Amounts due to minority shareholders of a subsidiary		491,404	479,296
Deferred taxation		68,299	52,617
		792,240	783,432
Net assets		1,677,966	1,509,093
Capital and reserves			
Share capital		93	93
Reserves		1,323,964	1,227,352
Equity attributable to equity holders of the Company		1,324,057	1,227,445
Minority interests		353,909	281,648
Total equity		1,677,966	1,509,093

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Capital		Share option reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Accumulated		Minority interests HK\$'000	Total equity HK\$'000
			redemption reserve HK\$'000	Contributed surplus HK\$'000				(losses) profits HK\$'000	Total HK\$'000		
At 1st April, 2005	93	1,254,982	666	514,191	-	-	6,175	(719,077)	1,057,030	(451)	1,056,579
Effect of changes in accounting policies	-	-	-	-	-	-	-	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 PRC operations recognised directly in equity	-	-	-	-	-	-	6,559	-	6,559	-	6,559
Profit (loss) for the period	-	-	-	-	-	-	-	18,665	18,665	(7,297)	11,368
Total recognised income (expense) for the period	-	-	-	-	-	-	6,559	18,665	25,224	(7,297)	17,927
Capital contribution from minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	23	23
Capital contribution arising from fair value adjustment on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	58,301	58,301
Recognition of equity-settled share-based payment	-	-	-	-	3,964	-	-	-	3,964	-	3,964
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
At 1st April, 2006	93	-	666	1,048,335	3,964	44	15,120	159,223	1,227,445	281,648	1,509,093
Exchange difference arising on translation of PRC operations recognised directly in equity	-	-	-	-	-	-	5,965	-	5,965	-	5,965
Profit (loss) for the period	-	-	-	-	-	-	-	109,222	109,222	72,261	181,483
Total recognised income for the period	-	-	-	-	-	-	5,965	109,222	115,187	72,261	187,448
2006 final dividend payable	-	-	-	(18,575)	-	-	-	-	(18,575)	-	(18,575)
At 30th September, 2006	93	-	666	1,029,760	3,964	44	21,085	268,445	1,324,057	353,909	1,677,966

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th September, 2006 (Unaudited) <i>HK\$'000</i>	30th September, 2005 (Unaudited) <i>HK\$'000</i>
Net cash from operating activities	131,242	16,296
Net cash used in investing activities	(26,269)	(742,517)
Net cash (used in) from financing activities	(76,233)	500,930
<hr/>		
Net increase (decrease) in cash and cash equivalents	28,740	(225,291)
Cash and cash equivalents at the beginning of the period	163,903	525,961
Effect of foreign exchange rate changes	8	11
<hr/>		
Cash and cash equivalents at the end of the period		
Bank balances and cash	192,651	300,681
<hr/> <hr/>		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 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”).

The unaudited condensed financial statements have been prepared on the historical costs basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values 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, 2006.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

2. REVENUE

	Six months ended	
	30th September, 2006 (Unaudited) HK\$'000	30th September, 2005 (Unaudited) HK\$'000
An analysis of the Group's revenue is as follows:		
Hotel and gaming operations		
Service income from VIP room	288,110	–
Service income from mass market	94,340	–
Service income from slot machine hall	18,162	–
Hotel room rental income	34,733	–
Marketing and promotion income	42,825	–
Food and beverage sales	29,552	–
Other rental income	19,306	–
Others	5,078	–
	532,106	–
Cruise and cruise-related operations		
Rental income from gaming hall	60,000	66,030
Food and beverage sales	494	598
Room rental income	134	206
Others	555	731
	61,183	67,565
	593,289	67,565

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

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:

	Hotel and gaming operations (Unaudited) HK\$'000	Cruise and cruise-related 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, 2006					
REVENUE	532,106	61,183	-	-	593,289
RESULTS					
Segment results	210,050	15,185	(1,828)	(4,876)	218,531
Interest income					1,616
Finance costs					(20,962)
Profit before taxation					199,815
Taxation					(17,702)
Profit for the period					181,483

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

3. SEGMENT INFORMATION (Continued)

	Hotel and gaming operations (Unaudited) <i>HK\$'000</i>	Cruise and cruise-related operations (Unaudited) <i>HK\$'000</i>	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, 2005					
REVENUE	-	67,565	-	-	67,565
RESULTS					
Segment results	(10,634)	21,448	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, 2006

4. PROFIT BEFORE TAXATION

	Six months ended	
	30th September, 2006 (Unaudited) HK\$'000	30th September, 2005 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	1,900	-
Depreciation of property, plant and equipment	36,476	2,857
Operating lease rental in respect of rented premises	1,933	-
Release of prepaid lease payments	3,232	-
and after crediting:		
Interest income from bank and other deposits	1,616	1,382

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th September, 2006

5. TAXATION

	Six months ended	
	30th September, 2006 (Unaudited) HK\$'000	30th September, 2005 (Unaudited) HK\$'000
The charge comprises:		
Macau Complimentary Income Tax		
– current year	(4,625)	–
– overprovision in prior year	2,605	–
PRC Enterprise Income Tax		
– overprovision in prior years	–	67
Deferred taxation	(15,682)	(7,006)
	(17,702)	(6,939)

The Macau Complimentary Income Tax is calculated progressively at a maximum of 12% of the estimate assessable profits for both periods. The PRC Enterprise Income Tax is calculated at the rates prevailing in the People's Republic of China (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, 2006

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share are as follows:

	Six months ended	
	30th September, 2006 (Unaudited) HK\$'000	30th September, 2005 (Unaudited) HK\$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	109,222	18,665
	As at	
	30th September, 2006 (Unaudited)	30th September, 2005 (Unaudited)
Number of shares:		
Number of shares for the purpose of calculating basic earnings per share	928,771,980	928,771,980
Effect of dilutive potential shares – share options		2,732,240
Weighted average number of shares for the purpose of calculating diluted earnings per share		931,504,220

No diluted earnings per share has been presented in respect of the Company's potential ordinary shares as the exercise price of these shares was higher than the average market price of the shares during the Period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

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

An analysis of movements of the assets of the Group is set out below:

	Investment properties (Unaudited) <i>HK\$'000</i>	Property, plant and equipment (Unaudited) <i>HK\$'000</i>	Property under development (Unaudited) <i>HK\$'000</i>
FAIR VALUE/CARRYING AMOUNT			
At 1st April, 2006	510,100	1,008,022	326,699
Currency realignment	–	2	5,209
Fair value change	123,130	–	–
Transfer from deposits made on acquisition of property, plant and equipment	–	15,181	–
Additions	–	28,242	98
Disposals	–	(1,982)	–
Depreciation	–	(36,476)	–
Release of prepaid lease payments capitalised	–	–	563
At 30th September, 2006	633,230	1,012,989	332,569

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

8. TRADE AND OTHER RECEIVABLES

The Group allows credit periods of up to 60 days to its trade customers. An aging analysis of the Group's trade receivables at the balance sheet date is set out below:

	As at	
	30th September, 2006 (Unaudited) HK\$'000	31st March 2006 (Audited) HK\$'000
0 – 30 days	162,237	185,121
31 – 60 days	7,528	7,575
61 – 90 days	9,312	4,844
	179,077	197,540
Chips on hand	107,097	102,816
Other receivables	53,863	23,428
	340,037	323,784

Chips on hand represent chips issued by a gaming concessionaire in Macau.

The directors of the Company consider that the carrying amount of trade and other receivables approximates its fair value.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

9. TRADE AND OTHER PAYABLES

An aging analysis of the Group's trade payables at the balance sheet date is set out below:

	As at	
	30th September, 2006 (Unaudited) HK\$'000	31st March 2006 (Audited) HK\$'000
0 – 30 days	50,364	43,243
31 – 60 days	717	1,708
61 – 90 days	116	284
91 – 180 days	52	129
	51,249	45,364
Short-term advances	45,000	45,000
Other payables	134,721	132,990
	230,970	223,354

Short-term advances are unsecured, interest-free and repayable on demand.

The directors of the Company consider that the carrying amount of trade and other payables approximates its fair value.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

10. COMMITMENTS AND CONTINGENCY

(a) Capital commitments

	As at	
	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Authorised but not contracted for in respect of property and hotel development projects	–	2,246
Contracted for but not provided in the consolidated financial statements, net of deposits paid, in respect of:		
– property and hotel development projects	40,762	49,356
– property, plant and equipment	2,810	2,738
	43,572	52,094
	43,572	54,340

(b) Contingent liability

As at 30th September, 2006, the Group had signed construction contracts for the property under development which is situated in the PRC on behalf of a joint venture partner. According to the joint venture agreement, the joint venture partner would bear the full construction cost. However, the Group has the legal obligations to fulfil the contracts if the joint venture partner fails to fulfil its obligations. As at 30th September, 2006, the Group's maximum liability in this arrangement was approximately HK\$438,485,000 (31st March, 2006: HK\$431,476,000) which represents contracted amounts but not yet paid by the joint venture partner.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

11. PLEDGE OF ASSETS

As at 30th September, 2006, certain assets of the Group were pledged to a bank as security for a banking facility granted to the Group. The carrying values of these assets at the balance sheet date are as follows:

	As at	
	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Hotel property	550,584	555,577
Investment properties	633,230	510,100
Prepaid lease payments	275,281	278,513
	1,459,095	1,344,190

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th September, 2006

12. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30th September, 2006 (Unaudited) HK\$'000	30th September, 2005 (Unaudited) HK\$'000
Fair value of share options granted to directors	–	3,964
Interest expense to a related company	1,348	–
Performance-related incentive payments to a director	1,552	–
Purchase of property, plant and equipment from a related company	184	886
Rental income from related companies	61,186	66,030
Sharing of administrative expenses with a related company	7,670	5,385

Note: Certain directors and substantial shareholder of the Company have significant influence or are deemed to have significant influence in the above related companies.

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

As at 30th September, 2006, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") of the issued share capital of the Company were as follows:

(a) Long position interests in the Company

(i) Ordinary shares of HK\$0.0001 each of the Company

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	322,851,555	34.76%

(ii) Share options

Name of director	Capacity	Number of options	Number of underlying shares
Mr. Wong Chi Fai (Note 2)	Beneficial owner	5,000,000	5,000,000
Ms. Fan Man Seung, Vanessa (Note 2)	Beneficial owner	5,000,000	5,000,000

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

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

Notes:

- 322,851,555 shares representing 34.76% of the shares of the Company, were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"), an indirect wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL was a company with its shares listed in Hong Kong; 60.37% 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 322,851,555 shares held by Worthy 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 322,851,555 shares held by Worthy Strong.
- The share options were granted to directors under the share option scheme of the Company.

(b) Long position in shares in associated corporations

Name of director	Name of associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage holding
Ms. Semon Luk	Nova Strategic Limited ("Nova Strategic") (Note)	Family	10	10%

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

(b) Long position in shares in associated corporations (Continued)

Note: Nova Strategic was owned as to 90% by the Group 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 Nova Strategic held by Lion Empire. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a non-executive director of the Company) was also deemed to be interested in the shares of Nova Strategic held by Lion Empire.

Save as disclosed above, as at 30th September, 2006, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

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, no options were granted, lapsed, exercised or cancelled under the Share Option Scheme.

Details of movements in the number of share options are set out below:

Name of grantee	Date of grant	Exercise period	Exercise price of the share options	Number of	Number of
				share options outstanding	share options outstanding
				as at 1st April, 2006	as at 30th September, 2006
Mr. Wong Chi Fai	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$2.2	5,000,000	5,000,000
Ms. Fan Man Seung, Vanessa	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$2.2	5,000,000	5,000,000

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2006, so far as is known to any director or chief executive of the Company, the following persons or corporations (other than a director or chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions in ordinary shares of HK\$0.0001 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate percentage holding
EIHL (<i>Note</i>)	Interest in a controlled corporation	322,851,555	34.76%
Charron (<i>Note</i>)	Interest in a controlled corporation	322,851,555	34.76%
Jumbo Wealth Limited (<i>Note</i>)	Trustee	322,851,555	34.76%
GZ Trust Corporation ("GZ Trust") (<i>Note</i>)	Trustee	322,851,555	34.76%
Mr. Albert Yeung (<i>Note</i>)	Founder of the Trust	322,851,555	34.76%
OZ Management, L.L.C.	Investment manager	83,286,087	8.97%
Julius Baer Investment Management LLC	Investment manager	74,493,652	8.02%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in ordinary shares of HK\$0.0001 each of the Company (Continued)

Note: The shares were registered in the name of Worthly Strong, an indirect wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 60.37% 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, the trustee of which was GZ Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 322,851,555 shares held by Worthly Strong. The above shares were the same shares as those set out in "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 30th September, 2006, the directors of the Company were not aware of any person or corporation (other than the directors and chief executives of the Company) who had any interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

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 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.

MODEL CODE FOR SECURITIES

The Company had adopted the Model 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 Model Code.

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, 19th December, 2006

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 (Chairperson of the audit committee), Ms. Chan Willing, Yvonne and Ms. Wan Choi Ha.