



英皇集團（國際）有限公司  
Emperor International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 163)



# EMPEROR

Interim Report 2005/2006

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## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2005 (the "Period"), Emperor International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK\$496.9 million, representing an increase of 19% as compared with HK\$417.9 million of the previous corresponding period. Profit attributable to shareholders amounted to HK\$446.6 million, up by 169% over last period's HK\$166.3 million.

The rise in profit was mainly due to gains from the revaluation of the Group's existing investment properties and developing projects in Hong Kong, and increased rental income amid a recovering property market. The increased return from the securities brokerage business also contributed to the profit surge.

The Group had announced during the Period to dispose non-core operations and refocus on its major and profitable businesses.

## OPERATION REVIEW

### Property Development and Investment

During the Period, the Group received no turnover from property development because of absence of sales. The turnover from leasing investment properties rose 42% to approximately HK\$62.6 million (2004: HK\$44.2 million) while profit soared 46% to approximately \$54.3 million (2004: HK\$37.2 million). The profit excluded revaluation gain of the Group's investment properties of HK\$353.3 million and HK\$104.0 million from its project under development.

As the Hong Kong market continued to improve in the first half of 2005, the Group's property operations have seen income growing steadily and significantly. The total income of these related segments amounted to HK\$62.8 million (2004: HK\$44.5 million) and profit reached HK\$511.2 million (2004: HK\$187.9 million).

The total carrying value of the Group's property portfolio in Hong Kong and the People's Republic of China (the "PRC") reached approximately HK\$4.5 billion. These properties include shops, offices, apartments, industrial buildings and a hotel. To tap Macau's growing retail property market, the Group has acquired two properties at prime locations in the city.

The Phase II development of Riverside Garden at Xiamen, the PRC, has been approved; building plans and documents for tender and construction are being prepared and to be completed in early 2006. Construction of Phase II is scheduled to be commenced in March 2006 and permit for pre-sale is expected to be issued later in 2006.

The Group had completed the basement excavation and foundation works of the commercial complex redevelopment at the Lido, Repulse Bay. A brand new Lido is expected to open in 2008. The Group intends to develop the property into a retail shopping arcade for generating rental income in the long run. However, it is also considering an option of including a hotel in the project. The management is currently exploring the possibility.

During the Period, the Group had acquired land with a total area of approximately 23,555 square feet adjacent to its development site in DD210 in Sai Kung. The Group plans to develop high-end residences at the site with a total floor area increasing to 32,670 square feet with the addition of the newly acquired land. The Group has submitted an application for the development with the Town Planning Board. Meanwhile, the Group will continue to replenish its land reserve.

### **Hotel**

The Emperor (Happy Valley) Hotel received a turnover of approximately HK\$28.6 million making up mainly of income from its 150 guest rooms, karaoke lounge and Chinese restaurant. Profit reached HK\$0.5 million subsequent to the completion of guestroom refurbishment, compared to a loss of HK\$4.0 million in the previous corresponding period. The hotel achieved an improvement in both occupancy and room rates compared with the previous period.

Revenue from the karaoke lounge "The Echoes" increased a significant 40% over the previous period and ahead of the budget by 15%.

### **Securities Brokerage and Consultancy Services**

During the Period, turnover from the Group's brokerage and financial services was up 25% to HK\$36.4 million (2004: HK\$29.1 million) bolstered by the growing stock markets in Hong Kong and the region. Profit rose by 72% to HK\$18.9 million (2004: HK\$11.0 million). Together with contribution from consultancy and advisory services, total income from the segment reached HK\$63.0 million (2004: HK\$55.8 million) and profit amounted at HK\$43.4 million (2004: HK\$35.5 million).

Among the Group's financial offerings, trading in Japan and US commodity futures reported the most remarkable performance. By controlling fixed overhead and expanding into new businesses that operate on commission-based systems, it also saw improved operating margins.

### **Non-core businesses to be disposed/discontinued**

The Group announced during the Period the disposal of non-core businesses to its major shareholder in its bid to focus on major and more profitable operations. The businesses to be disposed of included wholesaling and retailing of furniture, publishing and printing and restaurant. The Group would receive approximately HK\$82.4 million in cash upon completion of the disposal, which is scheduled to be completed before the current financial year end. The disposal will not have any material impact on the net asset position of the Group and there will not be any material gain or loss recognised by the Group.

The Group has discontinued the trading operation of marine products. The segment resulted in a profit of HK\$0.8 million during the Period. The discontinuance had realised financial resources of approximately HK\$15 million to the Group.

These non-core businesses resulted in a marginal profit of HK\$5.0 million during the Period. The disposal and discontinuance were expected to generate capital resources of approximately HK\$100 million to the Group.

## PROSPECTS

The Group made a significant decision during the Period to reposition itself as a property business player. It planned to dispose of and discontinue non-core businesses to re-allocate its financial resources and management efforts to focus on its core property and financial operations. The disposal and discontinuance will also allow the Group to realise its previous investment in those non-core businesses and the proceeds from the sales will improve the Group's financial position. The disposal is expected to complete by the end of the current financial year.

In general, the Group is optimistic about the economy in Hong Kong and the PRC region. The Group's property investment arm focuses on superior rental properties. Its two acquisitions in Macau will generate steady rental income for the Group with good prospect of growth in the long run. The Group is also ironing out the final construction plans and development issues of the Lido project with the governmental authorities.

For property development, the Group focuses on high-end residential projects in popular locations in Hong Kong, Macau and major cities in the PRC. It plans to start construction of Phase II development of Riverside Garden at Xiamen in 2006. In the meantime, it is awaiting government approval to enlarge the scales of its luxurious seaview residential development project in Sai Kung. The management will continue to look for opportunities to expand its land bank and development portfolio.

For its hotel operation in Hong Kong – which the Group views as a part of its property business – the management anticipates an increase in the demand for rooms from both mainland and overseas tourists to Hong Kong. Answering to the popular demand for karaoke, the Group had converted a floor in the hotel premises into karaoke rooms and related work was completed recently. The management expects the new rooms to bring in higher revenue.

The management of the financial and consultancy arm expects financial markets will be on growth track in 2006. The Group will expand its business in the trading of commodity futures and is making preparation to diversify its revenue stream by launching asset management services.

Looking ahead, the Group expects to receive profit contributions from its partially-owned Emperor Entertainment Hotel Limited ("EEH"), of which the Macau hotel will commence business in January 2006, as well as the strong cashflow through dividend distributed by EEH. The Group will closely monitor the performance of all its business segments to maximise returns for its shareholders and investors.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2005, the total external borrowings (excluding payables) amounted to approximately HK\$1,426.8 million and the Group maintained a debt to equity ratio of 38% (measured by total external borrowings as a percentage to the net asset value of the Group). In addition to its share capital and reserves, the Group made use of cash flow generated from operations, bank borrowings and unsecured loans from a shareholder and related companies to finance its operations. The Group's bank borrowings were denominated in Hong Kong Dollars and their interest rates followed market rates. The Group's bank balances and cash were mostly Hong Kong dollars. The Group had no material exposure to fluctuations in exchange rates. Besides, the Group had contingent liabilities in respect of (i) guarantees given to a bank in connection with mortgage loans granted to third parties totaling approximately HK\$3 million and (ii) loss and damages due to defects claimed by purchasers of some of the Group's properties.

## **STAFF COSTS**

The total cost incurred for staff including directors' emoluments amounted to HK\$151.3 million during the Period as compared with HK\$133.0 million in the last corresponding period. The increase was due to salaries revision. The number of staff was approximately 1,200 as at the end of the Period (2004: 1,200).

## **ASSETS PLEDGED**

Assets with carrying value of HK\$3,977.0 million were pledged as security for banking facilities.

## **NOTICE OF PAYMENT OF INTERIM DIVIDEND**

### **INTERIM DIVIDEND**

The board of directors ("Board" or "Directors") declared the payment of an interim dividend of HK\$0.05 per share ("Dividend") for the Period (2004: HK\$0.033 per share adjusted for the effect of the 1 to 10 share subdivision), amounting to approximately HK\$56.1 million (2004: HK\$28.5 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 Directors of the Company announced that the unaudited consolidated results of the Group for the Period together with comparative figures for the corresponding period in 2004 are as follows:

The consolidated financial statements of the Group 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 the three independent non-executive directors of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
	Notes	2005 (unaudited) HK\$'000	2004 (unaudited and restated) HK\$'000
Turnover – continuing operations	4	154,811	123,897
Turnover – discontinued operations	4	342,122	294,038
		<b>496,933</b>	<b>417,935</b>
Turnover		154,811	123,897
Cost of sales		(5,324)	(3,526)
Direct operating expenses		(27,046)	(23,002)
Gross profit		122,441	97,369
Other operating income – net		6,730	6,040
Selling and marketing expenses		(2,645)	(1,967)
Administrative expenses		(47,205)	(55,256)
Increase in fair values of investment properties		353,269	142,200
Impairment loss reversed in respect of properties under development		104,000	5,810
Impairment loss (recognised) reversed in respect of properties held for sale		(119)	2,673
Impairment loss recognised in respect of motor vehicle registration mark		(990)	–
Profit from operations	5	535,481	196,869
Finance costs		(28,067)	(5,668)
Share of associates' results after taxation		6,816	5,455
Profit before taxation		514,230	196,656
Taxation	6	(68,541)	(31,610)
Profit from continuing operations		445,689	165,046
Profit from discontinued operations	4	5,026	720
Profit after taxation		<b>450,715</b>	<b>165,766</b>
Profit (loss) attributable to:			
Shareholders of the Company		446,635	166,342
Minority interests		4,080	(576)
Profit after taxation		<b>450,715</b>	<b>165,766</b>
Earnings per share – basic	7	HK\$0.40	HK\$0.19
Earnings per share – diluted	7	HK\$0.40	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

	As at	
	30th September, 2005 (unaudited)	31st March, 2005 (audited and restated)
Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>		
Investment properties	3,438,040	2,815,656
Property, plant and equipment	717,433	781,622
Properties under development	381,642	261,452
Interests in associates	440,252	400,155
Amounts due from associates	9,241	6,414
Loans receivable	13,171	20,070
Intangible assets	2,884	6,401
Goodwill	1,940	1,940
Investments in securities	458	393
Other assets	9,174	13,389
Deferred taxation assets	33,221	72,137
Deposits paid for acquisition of investment properties	32,963	31,800
	<b>5,080,419</b>	<b>4,411,429</b>
<b>Current assets</b>		
Assets held for disposal	221,830	–
Inventories	1,546	33,974
Properties held for sale	13,736	13,918
Debtors, deposits and prepayments	297,920	318,485
Taxation recoverable	451	652
Securities held for trading	1,878	2,913
Pledged bank deposits	5,655	9,375
Bank balances – trust accounts	66,845	87,433
Bank balances and cash	73,899	125,375
	<b>683,760</b>	<b>592,125</b>

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

	As at	
Notes	30th September, 2005 (unaudited) <i>HK\$'000</i>	31st March, 2005 (audited and restated) <i>HK\$'000</i>
<b>Current liabilities</b>		
Liabilities held for disposal	128,774	–
Creditors, customers' deposits and accrued charges	205,348	326,825
Amount due to a shareholder	312,151	212,805
Taxation provision	9,271	3,993
Secured bank borrowings – due within one year	539,497	468,387
Obligations under finance leases – due within one year	–	48
Dividend payable	76,342	–
	<b>1,271,383</b>	1,012,058
<b>Net current liabilities</b>	<b>(587,623)</b>	(419,933)
	<b>4,492,796</b>	3,991,496
<b>Non-current liabilities</b>		
Amount due to minority shareholders of subsidiaries	21,971	22,991
Secured bank borrowings – due after one year	553,193	471,095
Obligations under finance leases – due after one year	–	32
Deferred taxation liabilities	146,034	121,830
	<b>3,771,598</b>	3,375,548
<b>Capital and reserves</b>		
Share capital	11,227	11,227
Reserves	3,764,332	3,372,436
<b>Equity attributable to shareholders of the Company</b>	<b>3,775,559</b>	3,383,663
<b>Minority interests</b>	<b>(3,961)</b>	(8,115)
<b>Total Equity</b>	<b>3,771,598</b>	3,375,548

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
As at 1st April, 2004 (previously reported and audited)	8,633	1,133,259	1,451	-	61,237	244	-	(5)	1,023,115	150,352	(9,984)	2,368,302
Effect of changes in accounting policies												
- Deferred taxation on investment properties	-	-	-	-	-	-	-	-	-	79,727	-	79,727
- Depreciation of hotel property	-	-	-	-	-	-	-	-	-	(34,059)	-	(34,059)
As restated	8,633	1,133,259	1,451	-	61,237	244	-	(5)	1,023,115	196,020	(9,984)	2,413,970
Depreciation attributable to revaluation surplus	-	-	-	-	(660)	-	-	-	-	660	-	-
Revaluation increase in investments in securities	-	-	-	-	-	2	-	-	-	-	-	2
Exchange difference arising on translation of foreign enterprises	-	-	(4)	-	-	-	-	-	-	-	-	(4)
Share of movements of an associate	-	-	17	-	-	-	-	-	-	-	-	17
Minority interests' share of translation reserve	-	-	-	-	-	-	-	-	-	-	10	10
Reversal of deferred taxation liabilities arising from depreciation attributable to revaluation surplus	-	-	-	-	116	-	-	-	-	-	-	116
Realised upon dissolution of a subsidiary	-	-	-	-	-	-	-	-	(266)	-	-	(266)
Dividend payable	-	-	-	-	-	-	-	-	(32,805)	-	-	(32,805)
Profit for the period (restated)	-	-	-	-	-	-	-	-	-	166,342	(576)	165,766
As at 30th September, 2004 (Unaudited and restated)	8,633	1,133,259	1,464	-	60,693	246	-	(5)	990,044	363,022	(10,550)	2,546,806
As at 1st April, 2005 (previously reported and audited)	11,227	1,523,155	1,494	254,620	60,148	247	-	(5)	961,568	622,893	(8,115)	3,427,232
Effect of changes in accounting policies												
- Investment property revaluation reserve transferred	-	-	-	(254,620)	-	-	-	-	-	254,620	-	-
- Deferred taxation on investment properties	-	-	-	-	-	-	-	-	-	(24,894)	-	(24,894)
- Negative goodwill derecognised	-	-	-	-	-	-	-	-	-	12,136	-	12,136
- Depreciation of hotel property	-	-	-	-	-	-	-	-	-	(38,926)	-	(38,926)
As restated	11,227	1,523,155	1,494	-	60,148	247	-	(5)	961,568	825,829	(8,115)	3,375,548
Depreciation attributable to revaluation surplus	-	-	-	-	(660)	-	-	-	-	660	-	-
Revaluation increase in investments in securities	-	-	-	-	-	63	-	-	-	-	-	63
Exchange difference arising on translation of foreign enterprises	-	-	1,402	-	-	-	-	-	-	-	-	1,402
Share of movements of an associate	-	-	2,266	-	-	-	1,369	-	-	11,732	-	15,367
Minority interests' share of translation reserve	-	-	-	-	-	-	-	-	-	-	74	74
Reversal of deferred taxation liabilities arising from depreciation attributable to revaluation surplus	-	-	-	-	116	-	-	-	-	-	-	116
Share options granted	-	-	-	-	-	-	4,655	-	-	-	-	4,655
Dividend payable	-	-	-	-	-	-	-	-	(76,342)	-	-	(76,342)
Profit for the period	-	-	-	-	-	-	-	-	-	446,635	4,080	450,715
As at 30th September, 2005 (unaudited)	11,227	1,523,155	5,162	-	59,604	310	6,024	(5)	885,226	1,284,856	(3,961)	3,771,598

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30th September,</b>	
	<b>2005 (unaudited) HK\$'000</b>	2004 (unaudited) HK\$'000
Net cash from operating activities	<b>8,799</b>	68,382
Net cash used in investing activities	<b>(314,661)</b>	(668,889)
Net cash from financing	<b>245,644</b>	569,097
Net decrease in cash and cash equivalents	<b>(60,218)</b>	(31,410)
Cash and cash equivalents at the beginning of the period	<b>124,038</b>	145,400
Cash and cash equivalents at the end of the period	<b>63,820</b>	113,990

The discontinued operations generated approximately HK\$1,050,000 (2004: HK\$12,481,000 used in) from operations and used HK\$5,979,000 (2004: HK\$7,287,000) in investing activities and generated approximately HK\$14,071,000 (2004: HK\$16,088,000) from financing activities for the Period.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2005 apart from the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (collectively the "HKFRSs"), issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2005.

In connection with the adoption of the HKFRSs, the Group has applied certain new accounting policies in accordance with the transitional provisions as set out in the relevant HKFRSs. Where required, these new HKFRSs have been applied retrospectively. In addition, certain comparative figures have been reclassified to confirm with the current period presentation. The major changes to accounting policies and the effects on the Group's income statement and shareholders' equity are set out as follows:

#### (a) *Investment Properties*

In previous periods, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the property revaluation reserve was charged to the income statement. Where a decrease had previously been charged and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In accordance with HKAS 40 – "Investment Property", the Group has elected to use the fair value model to account for its investment properties which required gains or losses arising from changes in fair value of investment properties to be recognised directly in the income statement in the period in which they arise. Accordingly, an approximate amount of HK\$353.3 million has been recognised in the Period.

The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply the standard from 1st April, 2005 onwards. An approximate amount of HK\$254.6 million held in the property revaluation reserve as at 1st April, 2005 has been transferred to the Group's retained profits. No adjustment has been made on 2005 comparative figures.

(b) *Deferred Taxation Related to Investment Properties*

In previous period, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale. Upon the adoption of HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets", the deferred tax consequences of the investment properties are 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.

In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. As a result, the Group's shareholders' equity as at 31st March, 2005 has been decreased by approximately HK\$24.9 million, which represents the net increase in deferred taxation liabilities. The deferred taxation directly charged to the income statement for the six months ended 30th September, 2005 has been increased by approximately HK\$62.3 million (2004: HK\$25.9 million).

(c) *Negative Goodwill*

In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2005 was capitalised and was presented as a deduction from assets and released to the consolidated income statement based on an analysis of the circumstance from which the balance resulted.

The Group has applied HKFRS 3 – "Business Combinations" prospectively from 1st January, 2005. Negative goodwill arising from acquisitions on or after 1st January, 2005 is credited to the consolidated income statement. In accordance with the transitional provisions of HKFRS 3, the carrying amount of negative goodwill that arose from acquisitions prior to 1st January, 2005 should be derecognised with a corresponding increase in retained profits as at 1st April, 2005. Accordingly, negative goodwill of approximately HK\$12.1 million was derecognised.

(d) *Share-based Payment*

The Group has granted share options to certain employees for their services rendered to subscribe for shares of the Company in accordance with the Company's share option scheme. Prior to the application of HKFRS 2 "Share-based Payment", the Group did not recognise the financial effect of the share options until they were exercised.

In the current period, the Group has applied HKFRS 2 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"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. This change has no effect on the Group's shareholders' equity. The effect of this change on the income statement for the period ended 30th September, 2005 is to increase the expenses of approximately HK\$4.7 million (2004: Nil).

(e) *Hotel Property*

In previous periods, no depreciation was provided on the building element of the hotel property on the basis that it was maintained in a continuous state of sound repair such that, given the estimated life of the hotel property and its residual value, any depreciation was immaterial.

With effect from 1st April, 2005, on adoption of HKAS Interpretation 21, the Group's building element of the hotel property is amortised over its useful life on a straight-line basis and is stated at cost less accumulated depreciation and impairment. These new accounting policies have been applied retrospectively. The shareholders' equity as at 31st March, 2005 were restated and decreased by approximately HK\$38.9 million. The change has increased depreciation charge to the consolidated income statement for the six months ended 30th September, 2005 by HK\$2.4 million (2004: HK\$2.4 million).

(f) *Financial assets and liabilities*

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurements.

From 1st April, 2005, the Group classified and measured its financial assets and liabilities in accordance with the relevant provisions of HKAS 39. As the financial effect is immaterial, no adjustment has been made to the carrying amounts of assets and liabilities and the Group's retained profits as at 1st April, 2005 and profit for the Period.

### 3. SEGMENT INFORMATION

For management purpose, the Group is currently organised into eight operating divisions, namely, lease of properties, sales of properties, printing and publishing, securities brokerage and consultancy, wholesaling and retailing of furniture, hotel and restaurant operations, and sales of marine products. These divisions are the basis on which the Group reports its primary segment information.

	Segment revenue		Segment results	
	Six months ended 30th September,		Six months ended 30th September,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited and restated) HK\$'000
<b>Business segments</b>				
<i>Continuing operations:</i>				
Lease of properties	62,581	44,232	511,615	186,594
Sales of properties	247	273	(390)	1,331
Securities brokerage and consultancy	63,002	55,798	43,415	35,513
Hotel operation	28,644	23,225	501	(4,023)
Others	337	369	153	(249)
	<b>154,811</b>	<b>123,897</b>	<b>555,294</b>	<b>219,166</b>
<i>Discontinued operations:</i>				
Printing and publishing	231,765	213,037	4,169	5,208
Wholesaling and retailing of furniture	76,572	59,608	1,092	(2,945)
Restaurant	11,776	12,725	(151)	(643)
Sales of marine products	22,009	8,668	819	(245)
	<b>342,122</b>	<b>294,038</b>	<b>5,929</b>	<b>1,375</b>
	<b>496,933</b>	<b>417,935</b>	<b>561,223</b>	<b>220,541</b>
Interest income			487	572
Corporate general and administrative expenses			(20,247)	(22,863)
Finance costs			(29,023)	(6,329)
Share of associates' results after taxation			6,816	5,455
Taxation			(68,541)	(31,610)
Profit after taxation			<b>450,715</b>	<b>165,766</b>

#### 4. DISCONTINUED OPERATIONS

The Group entered into agreement to dispose of wholesaling and retailing of furniture, printing and publishing and restaurant and had discontinued sales of marine products businesses. Their operating results are as follows:

	<b>Six months ended 30th September,</b>	
	<b>2005 (unaudited) HK\$'000</b>	2004 (unaudited) HK\$'000
Turnover	<b>342,122</b>	294,038
Expenses	<b>(336,193)</b>	(292,663)
Operating results	<b>5,929</b>	1,375
Interest income	<b>53</b>	7
Finance costs	<b>(956)</b>	(662)
Taxation	<b>-</b>	-
Profit after taxation	<b>5,026</b>	720

#### 5. PROFIT FROM OPERATIONS

Profit from operations for the Period has been arrived at after charging depreciation of approximately HK\$27,827,000 (2004: HK\$27,751,000) in respect of the Group's property, plant and equipment and crediting dividend income from listed securities of approximately HK\$68,000 (2004: HK\$24,000).

#### 6. TAXATION

	<b>Six months ended 30th September,</b>	
	<b>2005 (unaudited) HK\$'000</b>	2004 (unaudited and restated) HK\$'000
The charge comprises:		
Hong Kong Profits Tax attributable to the Group	<b>(4,185)</b>	(3,321)
Deferred taxation	<b>(64,356)</b>	(28,289)
	<b>(68,541)</b>	(31,610)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

## 7. EARNINGS PER SHARE

	Six months ended 30th September,	
	2005 (unaudited) HK\$'000	2004 (unaudited and restated) HK\$'000
The calculation of basic and diluted earnings per share is based on the following data:		
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	<b>446,635</b>	166,342

	Number of shares	
Number of ordinary shares after adjusting for the effect of the 1 to 10 share subdivision effective on 4th January, 2005 for the purpose of calculating basic earnings per share	<b>1,122,678,181</b>	863,293,520
Effect of dilutive potential ordinary shares from share options	<b>5,573,770</b>	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,128,251,951</b>	863,293,520

## 8. INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK\$0.05 per share for the Period (2004: HK\$0.033 per share adjusted for the effect of the 1 to 10 share subdivision), amounting to approximately HK\$56.1 million (2004: HK\$28.5 million).

## 9. ADDITIONS TO INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired investment properties and property, plant and equipment amounting to approximately HK\$269,115,000 and HK\$9,987,000 (2004: HK\$650,600,600 and HK\$8,299,000) respectively.

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group grants credit periods ranging from 180 days to 365 days to its customers of its securities brokerage business. However, no age analysis is disclosed in respect of certain loans to clients of the securities brokerage business as in the opinion of the directors, the age analysis does not give relevant information in view of the nature of the loans.

The figures as at 31st March, 2005 includes debtors of the trading business and printing and publishing business to which credit periods ranging from 30 days to 180 days were granted.

The following is an age analysis of trade debtors as at the balance sheet date:

	<b>30th September, 2005 (unaudited)</b>	31st March, 2005 (audited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	43,785	65,364
31 – 90 days	432	22,124
91 – 180 days	87,101	12,070
Over 180 days	33,024	92,022
	<b>164,342</b>	191,580
Other receivables, deposits and prepayments	<b>133,578</b>	126,905
	<b>297,920</b>	318,485

## 11. CREDITORS, CUSTOMER DEPOSITS AND ACCRUED CHARGES

The following is an age analysis of trade creditors as at the balance sheet date:

	<b>30th September, 2005 (unaudited)</b>	31st March, 2005 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	110,140	162,167
91 – 180 days	1	3,385
Over 180 days	2,816	5,907
	<b>112,957</b>	171,459
Other payables, deposits and accruals	<b>92,391</b>	155,366
	<b>205,348</b>	326,825

## 12. CONTINGENCIES AND COMMITMENTS

## Contingent liability

	30th September, 2005 (unaudited)		31st March, 2005 (audited)	
	Guarantees given HK\$'000	Amount utilised HK\$'000	Guarantees given HK\$'000	Amount utilised HK\$'000
Guarantees given to a bank in respect of mortgage loans granted to the purchasers of properties	3,451	3,451	4,244	4,244

## Capital commitments

	30th September, 2005 (unaudited) HK\$'000	31st March, 2005 (audited) HK\$'000
Authorised but not contracted for in respect of:		
– property investment and development projects	434,155	432,959
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– investment properties	161,888	180,200
– property investment and development projects	30,401	28,757
	<b>626,444</b>	<b>641,916</b>

### 13. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30th September,"</b>	
	<b>2005 (unaudited) HK\$'000</b>	2004 (unaudited) HK\$'000
Advertising income received from an associate and related companies ( <i>note ii</i> )	1,022	767
Management fees received from an associate and related companies ( <i>note ii</i> )	1,369	780
Rental received from related companies ( <i>note ii</i> )	4,279	4,003
Professional and service fees received from an associate and related companies ( <i>note ii</i> )	1,390	1,158
Sale of furniture to an associate ( <i>note ii</i> )	886	-
Interest paid to a shareholder ( <i>note iii</i> )	3,113	166
Fair value of share options granted to directors	4,655	-
Advertising expenses paid to related companies ( <i>note ii</i> )	-	544

Notes:

- (i) A director and a substantial shareholder of the Company have beneficial interests in the related companies.
- (ii) These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the Directors of the Company.
- (iii) The interest is calculated by reference to the principal outstanding and at the prevailing market interest rates.

## 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, 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of 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") ( <i>Note 1</i> )	Family	796,797,411	70.97%

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

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

#### (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	10,000,000	0.89%
Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan") (Note 2)	Beneficial owner	10,000,000	0.89%

#### Notes:

- The shares were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A&A Unit Trust. The A&A Unit Trust was 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 796,797,411 shares held by Charron. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the above 796,797,411 shares held by Charron.
- The share options were granted to Directors under the share option scheme of the Company.

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

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

#### (i) 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	Charron (Note 1)	Family	1	100%
Ms. Semon Luk	Jumbo Wealth (Note 1)	Family	1	100%
Ms. Semon Luk	Surplus Way Profits Limited ("Surplus Way") (Note 2)	Family	1	100%
Ms. Semon Luk	Emperor Entertainment Group Limited ("EEG") (Note 2)	Family	203,054,000	78.09%
Ms. Semon Luk	Emperor Entertainment Hotel Limited ("EEH") (Note 3)	Family	320,811,555	34.54%

#### (ii) Interests in options

Name of director	Name of associated corporation	Capacity/ Nature of interests	Number of underlying shares held	Approximate percentage holding
Mr. Wong Chi Fai (Note 4)	EEH (Note 4)	Beneficial owner	5,000,000	0.54%
Ms. Vanessa Fan (Note 4)	EEH (Note 4)	Beneficial owner	5,000,000	0.54%

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

### (b) Long position in shares in associated corporation (Continued)

*Notes:*

1. Charron was the registered owner of 769,767,411 shares, representing 70.97% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and Jumbo Wealth. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Charron and Jumbo Wealth respectively.
2. EEG is a company with its shares listed in Hong Kong; 78.09% of the shares of EEG were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. By virtue of the interests of The A&A Unit Trust in Charron and Surplus Way, both Surplus Way and EEG were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and EEG respectively. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and EEG respectively.
3. EEH is a company with its shares listed in Hong Kong; 34.54% of the shares of EEH were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"). The entire issued share capital of Worthy Strong was indirectly held by the Company. By virtue of the interest of the Company in EEH, EEH is the associated corporation of the Company. Charron was the registered owner of 769,767,411 shares, representing 70.97% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of EEH. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of EEH.
4. The share options were granted to directors under the share option scheme of EEH.

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

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, 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, 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 9th September, 2003 (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; (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 20,000,000 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\$1.65.

## SHARE OPTIONS (Continued)

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

<b>Grantee</b>	<b>No. of Outstanding options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price per share</b>
Mr. Wong Chi Fai	10,000,000	11th Aug., 2005	11th Aug., 2005 – 10th Aug., 2015	HK\$1.88
Ms. Vanessa Fan	10,000,000	11th Aug., 2005	11th Aug., 2005 – 10th Aug., 2015	HK\$1.88

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 known to any Director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the 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 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 option in respect of such capital:

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

### Long position in shares in the Company

Name of shareholder	Capacity/ Nature of Interests	Number of ordinary shares held	Approximate percentage holding
Charron	Beneficial owner	796,797,411	70.97%
Jumbo Wealth	Trustee	796,797,411	70.97%
GZ Trust Corporation ("GZ Trust")	Trustee	796,797,411	70.97%
Mr. Albert Yeung	Founder of the Trust	796,797,411	70.97%

*Note:* The shares were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust, the trustee of which was GZ Trust. GZ Trust was deemed to be interested in the 796,797,411 shares held by Charron as trustee of the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 796,797,411 shares held by Charron. The above shares were the same shares as those set out under paragraph (a) (i) of the section of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 30th September, 2005, so far as 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 interests or short positions 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 term, however, in accordance with the bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation (provided that every Director shall be subject to retirement at least once every three years) and be eligible for re-election in the annual general meeting 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 of 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.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference comprising the three independent non-executive directors of the Company, namely Messrs. Chan Man Hon, Eric (Chairman of the audit committee), Law Ka Ming, Michael and Liu Hing Hung. The principal duties of the audit committee included the review and supervision of 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 Messrs. Wong Chi Fai (Chairman of the remuneration committee), Law Ka Ming, Michael and Liu Hing Hung.

The principal responsibilities of the remuneration committee included making recommendations to the board 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

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

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. Non-Executive Director: Ms. Luk Siu Man, Semon (Chairperson); 2. Executive Directors: Mr. Wong Chi Fai (Managing Director), Ms. Fan Man Seung, Vanessa (Managing Director), Ms. Mok Fung Lin, Ivy and Mr. Chan Pak Lam, Tom; 3. Independent Non-Executive Directors: Mr. Law Ka Ming, Michael, Mr. Chan Man Hon, Eric and Mr. Liu Hing Hung.*