



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

(Incorporated in Bermuda with limited liability)
(Stock Code : 163)

◀ Interim Report 2006/2007 ▶



EMPEROR INTERNATIONAL HOLDINGS LIMITED

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MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2006 (the "Period"), Emperor International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded turnover of approximately HK\$200.4 million, compared with HK\$496.9 million for the same period in the previous year. This is mainly attributable to the disposal of non-core operations immediately before commencement of the Period. Turnover from continuing operations on the other hand increased by 29% from HK\$154.8 million in the previous period to approximately HK\$200.4 million, which is in line with the Group's strategy to concentrate on these areas.

Profit attributable to shareholders was approximately HK\$203.6 million, compared with HK\$446.6 million in the previous corresponding period. The difference is mainly due to the substantial revaluation gain of properties held by the Group during the previous corresponding period.

The Group also enjoyed contributions from its associate company, Emperor Entertainment Hotel Limited ("EEH"), whose flagship entertainment and leisure project in the Macau Special Administrative Region, the Grand Emperor Hotel, commenced business in January 2006. The associate company contributed approximately HK\$38.0 million during the Period, up from HK\$6.5 million in 2005.

OPERATION REVIEW

Property Development and Investment

Property development and investment is the Group's core business, with rental income from investment properties being one of the Group's main income contributors during the Period. Turnover from investment property leases rose 30% to approximately HK\$81.6 million, compared with HK\$62.6 million in 2005. The Group's property portfolio consists of shops, offices, apartments, industrial buildings and a hotel. Thanks to the robust growth in tourist spending and domestic consumption, the Group saw a satisfactory increment in its rental rates and values. The Group maintained a high overall occupancy rate for its retail properties, most of which are located in prime location.

As a result of the improving property market in Hong Kong, the Group recorded a revaluation gain of HK\$96.4 million (2005: HK\$353.3 million) from investment properties and HK\$48.0 million from its Repulse Bay development site (2005: HK\$104.0 million). Profit from operation excluding the revaluation gain was HK\$74.3 million, compared with HK\$54.3 million previously.

The Group made positive and significant progress in its property development projects in Hong Kong as well as in mainland China. In April 2006, the Group announced the acquisition of a 88,420 square feet site along Chang'an Avenue in Beijing. The Group plans to develop the site into a comprehensive commercial complex, comprising a retail podium with high-end entertainment hot spots and a Grade-A office tower. The investment marks the Group's expansion into the Beijing property market. Development planning and preliminary work are in progress.

The Group has a commercial residential composite development project underway in Xiamen. The Phase II development of Riverside Garden at Xiamen is expected to be completed in 2008, with pre-sale of residential units commencing in 2007. The Group is optimistic toward the sales of the residential units, as Xiamen has recorded one of the highest price increases in the mainland market.

In Hong Kong, the Group has completed the basement excavation and foundation work for the redevelopment of its Repulse Bay project. Sub-structure works are in progress. The Group intends to erect a 151,000 square feet multi-functional recreation complex which is expected to generate long-term rental income for the Group upon its completion in 2008.

There is an increasing demand for new flats in Hong Kong. However, land supply is limited and land acquisition costs are high. With the management's property expertise, the Group has been able to identify and acquire controlling shares in several urban sites, and thus expanding its land bank. The sites range from approximately 4,000 to 10,000 square feet in size and are planned to be redeveloped into mid- to high-end residential or composite complexes, which are in growing demand and provide developers with lucrative returns. After the Period, the Group had entered into agreements to sell two adjacent sites at Queen's Road West which comprised a site acquired by the Group during the last financial year and an investment property held by the Group and which would record a profit of around HK\$63.0 million on completion.

Hotel

The Group's Emperor (Happy Valley) Hotel performed a remarkable turnaround of its operations during the Period. Turnover for the hotel increased 12% to approximately HK\$32.1 million from HK\$28.6 million in 2005. Revenue mainly came from the hotel's 150 guest rooms, karaoke lounge and coffee shop. Profits climbed to HK\$2.9 million, from HK\$501,000 in 2005, following the conversion of a lounge into karaoke rooms.

The hotel has been a hit with both local and overseas consumers. Mainland China continues to be the major source of visitors and guests, with arrivals increasing steadily. In the long-haul and short-haul markets such as America, Europe, Australia and Southeast Asia, growth has picked up strongly.

During the Period, the hotel achieved improved room and occupancy rates, with the occupancy rate reaching approximately 90% on average.

Securities Brokerage and Consultancy Services

The segment performed steadily during the Period, with turnover rising to HK\$86.5 million from HK\$63.0 million in 2005, and profit climbing to HK\$59.4 million from HK\$43.4 million in 2005.

In addition to providing consultancy and advisory services on mergers and acquisitions and other corporate advisory services, the Group runs a securities and futures brokerage operation which provides retail investors with brokerage services on securities, futures and options trading on exchanges in Hong Kong, Japan and the United States. This operation also provides margin financing for initial public offerings and stock purchases, as well as other types of loans and advances to its clients.

As part of the Group's plan to redefine itself as a property player, the Group is planning a spin-off of the securities and brokerage operation for it to be listed separately on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

PROSPECTS

The disposal and discontinuation of non-core businesses at the end of the last financial year marked the first of the Group's series of steps to reposition itself as a pure property player. The Group has since acquired controlling shares of several urban sites to redevelop them into high-quality commercial/residential projects. These sites were bought at the lower range of average market prices, and have since appreciated in value. The Group expected to receive a capital gain should these sites be sold in the market.

Management will continue to explore opportunities to expand its land bank and development portfolio in Hong Kong, the mainland China and Macau.

In order to achieve higher yields from rental income, the Group will also continue to improve the asset quality of its investment properties, by replacing non-core premises with properties that have a higher prospect for capital or rental gain, upgrading the quality of tenants as well as implementing value-added improvement schemes on various properties within its portfolio.

With regard to its hotel operation, the Group expects the market to become increasingly competitive this year, with the launch of new hotels in Hong Kong and the resultant increase in room supply. The Group will continue to improve and refine its operations and marketing strategies in order to remain competitive. With karaoke and the food and beverage businesses serving as major contributors to the hotel's revenue, the Group plans to refurbish its karaoke rooms located on the basement floors to enhance its service quality.

To further its pure property play strategy, the Group has announced a proposed spin-off and separate listing for its securities and futures brokerage operation.

Looking ahead, the Group expects to enjoy ongoing profit contributions from its partially-owned entertainment and leisure operation under EEH, as well as strong cash-flows through dividends distribution from EEH. The Group will also 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, 2006, the total external borrowings (excluding payables) amounted to approximately HK\$3,967.1 million and the Group maintained a debt to equity ratio of 44% (measured by total external borrowings as a percentage to the total 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 denominated in Hong Kong dollars and Renminbi. Since Renminbi is relatively stable, the Group had no material exposure to fluctuations in exchange rates.

STAFF COSTS

The total cost incurred for staff including directors' emoluments amounted to HK\$58.8 million during the Period as compared with HK\$151.3 million in the last corresponding period. The decrease was due to the disposal of non-core businesses on 31st March, 2006. The number of staff was approximately 300 as at the end of the Period.

ASSETS PLEDGED

Assets with carrying value of HK\$4,905.20 million were pledged as security for banking facilities.

NOTICE OF PAYMENT OF INTERIM DIVIDEND

INTERIM DIVIDEND

The board of directors (the "Board" or the "Directors") declared the payment of an interim dividend of HK\$0.04 per share ("Dividend") for the Period (2005: HK\$0.05), amounting to approximately HK\$56.5 million (2005: HK\$56.1 million). The Dividend will be paid on 8th February, 2007 (Thursday) to shareholders whose names appear on Register of Members of the Company on 25th January, 2007 (Thursday).

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 24th January, 2007 (Wednesday) to 25th January, 2007 (Thursday) (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 23rd January, 2007 (Tuesday).

The Board of the Company announced that the unaudited consolidated results of the Group for the Period together with comparative figures for the corresponding period in 2005 as set out below.

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	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Turnover – continuing operations	3	200,407	154,811
Turnover – discontinued operations	3	–	342,122
		200,407	496,933
Turnover		200,407	154,811
Cost of sales		(5,478)	(5,324)
Direct operating expenses		(46,055)	(27,046)
Gross profit		148,874	122,441
Other operating income – net		7,313	6,730
Selling and marketing expenses		(2,099)	(2,645)
Administrative expenses		(43,532)	(47,205)
Increase in fair values of investment properties		96,361	353,269
Impairment loss reversed in respect of properties under development		48,060	104,000
Impairment loss recognised in respect of properties held for sale		–	(119)
Impairment loss recognised in respect of motor vehicle registration mark		–	(990)
Profit from operations	5	254,977	535,481
Finance costs		(62,031)	(28,067)
Share of associates' results after taxation		38,361	6,816
Profit before taxation		231,307	514,230
Taxation	6	(25,913)	(68,541)
Profit from continuing operations		205,394	445,689
Profit from discontinued operations	4	–	5,026
Profit after taxation		205,394	450,715
Profit attributable to:			
Equity holders of the Company		203,582	446,635
Minority interests		1,812	4,080
Profit after taxation		205,394	450,715
Earnings per share – basic	7	HK\$0.15	HK\$0.40
Earnings per share – diluted	7	N/A	HK\$0.40

CONDENSED CONSOLIDATED BALANCE SHEET

	As at	
Notes	30th September, 2006 (unaudited) HK\$'000	31st March, 2006 (audited) HK\$'000
Non-current assets		
Investment properties	3,859,375	3,712,220
Property, plant and equipment	230,591	228,986
Prepaid lease payments	356,200	359,180
Properties under development	713,735	302,500
Interests in associates	516,044	481,365
Amounts due from associates	19,886	70,495
Loans receivable	7,829	9,410
Intangible assets	964	1,431
Goodwill	1,940	1,940
Investments in non-trading securities	2	2
Other assets	9,314	8,405
Deferred taxation assets	3,925	3,474
Deposits paid for acquisition of properties and investment	100,092	40,410
	5,819,897	5,219,818
Current assets		
Inventories	1,238	1,153
Properties held for sale	10,182	10,182
Prepaid lease payments	5,962	5,962
Properties under/held for development	1,179,520	81,270
Debtors, deposits and prepayments	9 1,603,181	310,276
Taxation recoverable	234	566
Investments in trading securities	131	179
Pledged bank deposits	170,651	655
Bank balances – trust accounts	130,958	101,846
Bank balances (general accounts) and cash	129,156	89,556
	3,231,213	601,645

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		As at	
	Notes	30th September, 2006 (unaudited) HK\$'000	31st March, 2006 (audited) HK\$'000
Current liabilities			
Creditors, customer deposits and accrued charges	10	508,375	264,359
Amount due to a shareholder		619,676	486,204
Amounts due to minority shareholders of subsidiaries		19,825	21,278
Taxation payable		5,315	2,364
Secured bank borrowings			
– due within one year		2,563,846	554,048
Dividend payable		68,706	–
		3,785,743	1,328,253
Net current liabilities		(554,530)	(726,608)
Total assets less current liabilities		5,265,367	4,493,210
Non-current liabilities			
Secured bank borrowings			
– due after one year		763,719	555,077
Deferred taxation liabilities		170,669	149,467
		934,388	704,544
Net assets		4,330,979	3,788,666
Capital and reserves			
Share capital		13,472	11,227
Reserves		4,318,326	3,780,956
Equity attributable to equity holders of the Company		4,331,798	3,792,183
Minority interests		(819)	(3,517)
Total Equity		4,330,979	3,788,666

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investment property		Share option reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Minority interests HK\$'000	Total HK\$'000	
				revaluation reserve HK\$'000	revaluation reserve HK\$'000							
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	-	-	-	(254,620)	-	-	-	-	-	183,271	-	(71,349)
As at 1st April, 2005 (restated and audited)	11,227	1,523,155	1,494	-	60,148	247	-	(5)	961,568	806,164	(8,115)	3,355,883
Depreciation attributable to revaluation surplus	-	-	-	-	(660)	-	-	-	-	660	-	-
Increase in fair value of investments in non-trading securities	-	-	-	-	-	63	-	-	-	-	-	63
Exchange difference arising on translation of China enterprises	-	-	1,402	-	-	-	-	-	-	-	74	1,476
Share of movements of an associate	-	-	2,266	-	-	-	1,369	-	-	11,732	-	15,367
Reversal of deferred taxation liabilities arising from depreciation attributable to revaluation surplus	-	-	-	-	116	-	-	-	-	-	-	116
Recognition of equity-settled share based payments	-	-	-	-	-	-	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	1,265,191	(3,961)	3,751,933

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Share capital	Share premium	Translation reserve	Investment property			Share option reserve	Other reserve	Contributed surplus	Accumulated profits	Minority interests	Total
				revaluation reserve	revaluation reserve	revaluation reserve						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st April, 2006 (audited)	11,227	1,523,155	6,862	-	75,946	-	6,030	10	829,092	1,339,861	(3,517)	3,788,666
Depreciation attributable to revaluation surplus	-	-	-	-	(660)	-	-	-	-	660	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	808	808
Exchange difference arising on translation of China enterprises	-	-	4,496	-	-	-	-	-	-	-	78	4,574
Share of movements of an associate	-	-	2,074	-	-	-	-	-	-	-	-	2,074
Reversal of deferred taxation liabilities arising from depreciation attributable to revaluation surplus	-	-	-	-	116	-	-	-	-	-	-	116
Issue of shares (net of expenses)	2,245	395,808	-	-	-	-	-	-	-	-	-	398,053
Dividend payable	-	-	-	-	-	-	-	-	(68,706)	-	-	(68,706)
Profit for the period	-	-	-	-	-	-	-	-	-	203,582	1,812	205,394
As at 30th September, 2006 (unaudited)	13,472	1,918,963	13,432	-	75,402	-	6,030	10	760,386	1,544,103	(819)	4,330,979

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash (used in) from operating activities	(917,068)	8,799
Net cash used in investing activities	(1,729,814)	(314,661)
Net cash from financing	2,686,678	245,644
<hr/>		
Net increase (decrease) in cash and cash equivalents	39,796	(60,218)
Cash and cash equivalents at the beginning of the period	89,360	124,038
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Cash and cash equivalents at the end of the period	129,156	63,820

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, 2006 apart from the adoption of certain new Hong Kong Financial Reporting Standards, amendments and interpretations (collectively the "New HKFRSs"), issued by HKICPA that are effective for accounting periods beginning on or after 1st December, 2005.

The adoption of the New HKFRSs has had no material effect on how the results for the current or prior periods have been prepared and presented.

The Group has not early applied the HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

3. SEGMENT INFORMATION

For management purpose, the Group is currently organised into lease of properties, sales of properties, property development, hotel operation and securities brokerage and consultancy. 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,	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited and restated) HK\$'000
Business segments				
<i>Continuing operations:</i>				
Lease of properties	81,616	62,581	170,660	407,630
Sales of properties	-	247	-	(390)
Property development	-	-	37,286	103,985
Hotel operation	32,106	28,644	2,886	501
Securities brokerage and consultancy	86,537	63,002	59,365	43,415
Others	148	337	84	153
	200,407	154,811	270,281	555,294
<i>Discontinued operations:</i>				
Printing and publishing	-	231,765	-	4,169
Wholesaling and retailing of furniture	-	76,572	-	1,092
Restaurant	-	11,776	-	(151)
Sales of marine products	-	22,009	-	819
	-	342,122	-	5,929
	200,407	496,933	270,281	561,223
Interest income			2,826	487
Corporate general and administrative expenses			(18,130)	(20,247)
Finance costs			(62,031)	(29,023)
Share of associates' results after taxation			38,361	6,816
Taxation			(25,913)	(68,541)
Profit after taxation			205,394	450,715

4. DISCONTINUED OPERATIONS

In 2005, 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:

	Six months ended 30th September,	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Turnover	-	342,122
Expenses	-	(336,193)
Operating results	-	5,929
Interest income	-	53
Finance costs	-	(956)
Taxation	-	-
Profit after taxation	-	5,026

In 2005, the discontinued operations approximately generated HK\$1,050,000 from operations, used HK\$5,979,000 in investing activities and generated HK\$14,071,000 from financing activities.

5. PROFIT FROM OPERATIONS

Profit from operations for the Period has been arrived at after charging depreciation of approximately HK\$12,117,000 (2005: HK\$27,827,000) in respect of the Group's property, plant and equipment and crediting dividend income from securities of approximately HK\$59,000 (2005: HK\$68,000).

6. TAXATION

	Six months ended 30th September,	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax attributable to the Group	(5,046)	(4,185)
Deferred taxation	(20,867)	(64,356)
	(25,913)	(68,541)

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,	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
The calculation of basic and diluted earnings per share is based on the following data:		
Profit attributable to equity holders for the purpose of calculating basic and diluted earnings per share	203,582	446,635
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,326,322,990	1,122,678,181
Effect of dilutive potential ordinary shares from share options		<u>5,573,770</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share		<u>1,128,251,951</u>

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.

8. ADDITIONS TO INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER /HELD FOR DEVELOPMENT

During the Period, the Group acquired investment properties, property, plant and equipment and properties under/held for development amounting to approximately HK\$114,220,000, HK\$10,741,000 and HK\$1,397,165,000 (2005: HK\$269,115,000, HK\$9,987,000 and HK\$15,431,000) respectively.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group grants credit periods ranging from 0 to 30 days to its customers other than customers of the securities brokerage business. Certain loans to these customers generally have a repayment period of over 180 days. No aging analysis is disclosed in respect of margin loans to clients of the securities brokerage business as in the opinion of the Directors, the aging analysis does not give relevant information in view of the nature of the loans.

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

	30th September, 2006 (unaudited) HK\$'000	31st March, 2006 (audited) HK\$'000
0-30 days	1,381,894	84,242
31-90 days	35,166	843
91-180 days	6,346	101
Over 180 days	13,064	97,625
	1,436,470	182,811
Other receivables, deposits and prepayments	166,711	127,465
	1,603,181	310,276

10. CREDITORS, CUSTOMER DEPOSITS AND ACCRUED CHARGES

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

	30th September, 2006 (unaudited) HK\$'000	31st March, 2006 (audited) HK\$'000
0-90 days	240,503	2,297
91-180 days	-	-
Over 180 days	4,656	7,948
	245,159	10,245
Other payables, deposits and accruals	263,216	254,114
	508,375	264,359

11. CONTINGENCIES AND COMMITMENTS

Contingent liability

	As at 30th September, 2006 (unaudited)		As at 31st March, 2006 (audited)	
	Guarantees given	Amount utilised	Guarantees given	Amount utilised
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to a bank in respect of mortgage loans granted to the purchasers of properties	4,485	4,485	4,408	4,408

Capital commitments

	As at 30th September, 2006 (unaudited) HK\$'000	As at 31st March, 2006 (audited) HK\$'000
Authorised but not contracted for in respect of:		
– property investment and development projects	221,634	412,875
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property investment and development projects	427,099	749,675
– property, plant and equipment	–	5,000
	648,733	1,167,550

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	2005 (unaudited) HK\$'000
Rental received from related companies (note ii)	13,361	4,279
Interest paid to a shareholder (note iii)	14,951	3,113
Interest received from an associate (note iii)	1,348	-
Professional and service fees received from an associate and related companies (note ii)	311	1,390
Advertising income received from an associate and related companies (note ii)	-	1,022
Fair value of share options granted to directors	-	4,655
Management fees received from an associate and related companies (note ii)	-	1,369
Sale of furniture to an associate (note ii)	-	886

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, 2006, 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")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules were as follows:

(a) Long position interests in the Company

(i) Interests in ordinary shares of HK\$0.01 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	813,301,411	60.37%

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

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

(ii) Interests in share 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	0.74%
Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan") (Note 2)	Beneficial owner	10,000,000	0.74%

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 813,301,411 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 813,301,411 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 corporations

(i) Interests in ordinary 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	322,851,555	34.76%
Ms. Semon Luk	Nova Strategic Limited ("Nova Strategic") (Note 4)	Family	10	10%

(ii) Interests in share 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 5)	EEH (Note 4)	Beneficial owner	5,000,000	0.54%
Ms. Vanessa Fan (Note 5)	EEH (Note 4)	Beneficial owner	5,000,000	0.54%

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

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

Notes:

1. Charron was the registered owner of 813,301,411 shares, representing 60.37% 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; 34.76% of the shares of EEH were registered in the name of Worthly Strong Investment Limited ("Worthly Strong"). The entire issued share capital of Worthly Strong was indirectly held by the Company. By virtue of the interest of the Company in EEH, EEH was the associated corporation of the Company. Charron was the registered owner of 813,301,411 shares, representing 60.37% 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. Nova Strategic is a non wholly-owned subsidiary of EEH.
4. Nova Strategic was owned as to 90% by EEH and as to 10% by Lion Empire Investments Limited ("Lion Empire"). The entire issued share capital of Lion Empire was held by 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 was also deemed to be interested in the shares of Nova Strategic held by Lion Empire.
5. 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, 2006, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

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.

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 option	No. of share options outstanding as at 1st April, 2006	No. of share options outstanding as at 30th September, 2006
Mr. Wong Chi Fai	11th Aug., 2005	11th Aug., 2005 – 10th Aug., 2015	HK\$1.88	10,000,000	10,000,000
Ms. Vanessa Fan	11th Aug., 2005	11th Aug., 2005 – 10th Aug., 2015	HK\$1.88	10,000,000	10,000,000

During the Period, no options was granted, lapsed, exercised or cancelled under the Share Option Scheme.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2006, 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) who had interests or 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:

(i) Long positions in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity/ Nature of Interests	Number of ordinary shares interested in or deemed to be interested	Approximate percentage holding
Charron (Note 1)	Beneficial owner	813,301,411	60.37%
Jumbo Wealth (Note 1)	Trustee	813,301,411	60.37%
GZ Trust Corporation ("GZ Trust") (Note 1)	Trustee	813,301,411	60.37%
Mr. Albert Yeung (Note 1)	Founder of the Trust	813,301,411	60.37%
Penta Investment Advisers Ltd.	Investment manager	215,844,000	16.02%
John Zwaanstra	Interest in a controlled corporation	215,844,000	16.02%
UBS AG (Note 2)	Beneficial owner/ Person having a security interest	83,324,000	6.19%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

(i) Long positions in ordinary shares of HK\$0.01 each of the Company (Continued)

Note 1: 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 813,301,411 shares held by Charron as trustee of the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 813,301,411 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.

Note 2: Pursuant to the corporate substantial shareholder notice dated 19th June, 2006 received by the Company, UBS AG held 56,000,000 shares and 27,324,000 shares in the capacity of beneficial owner and person having a security interest respectively.

(ii) Short positions in shares

Name of shareholder	Capacity/Nature of interests	Short positions in shares	Approximate percentage holding
UBS AG (<i>Note 3</i>)	beneficial owner	56,000,000	4.16%

Note 3: Pursuant to the corporate substantial shareholder notice dated 19th June, 2006 received by the Company, the short positions in the 56,000,000 shares held by UBS AG was derived from unlisted cash settled derivatives.

Save as disclosed above, as at 30th September, 2006, the Directors or chief executives of the Company were not aware of any person or corporation other than the directors or 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 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 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 at the annual general meeting of the Company. The Directors will continue to review and assess the effectiveness of the adopted practices.

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.

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, 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. Managing Directors: Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa; 3. Executive Directors: Ms. Mok Fung Lin, Ivy and Mr. Chan Pak Lam, Tom; 4. Independent Non-Executive Directors: Mr. Chan Man Hon, Eric (Chairman of the audit committee), Mr. Wan Chi Keung, Aaron and Mr. Liu Hing Hung.