

## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September, 2004 (the "Period"), Emperor (China Concept) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a net profit of approximately HK\$15.7 million, as compared with a net loss of approximately HK\$0.7 million in the last corresponding period. The net profit for the Period was mainly attributable to reversal of approximately HK\$15.2 million in respect of allowance for deposit paid for the purchase of Hong Tai Building, Chongqing in the People's Republic of China (the "PRC").

No turnover, however, was recorded for the Period as the existing property development project in Yu Yuan, Shanghai in the PRC was still in an investment stage.

### INTERIM DIVIDEND

The board of directors (the "Board" or the "Directors") did not recommend the payment of an interim dividend for the Period (2003: nil).

### OPERATION REVIEW

During the Period, the core business of the Group remained property development and investment in the PRC. After the end of the Period, the Group had entered into agreements to diversify its business to include tourist and gaming entertainment businesses.

#### **Yu Yuan, Shanghai, the PRC**

The Group previously held 90% interest in the development project in Yu Yuan. During the Period, the Group acquired the remaining 10% interest in the project from Star City Entertainment Holdings Limited at its original investment cost.

## OPERATION REVIEW (Continued)

### Yu Yuan, Shanghai, the PRC (Continued)

On 26th May, 2004, the Group entered into a joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co. Ltd. ("JV Partner") to jointly develop the Group's land in Yu Yuan. Under the JV Agreement, the Group would provide the land, the JV Partner would bear the full construction cost and the floor area would be split between the parties in equal shares. The Group intended to develop the property into a complex comprising commercial premises and apartments and/or hotel for rental purpose. The site area of the land was 22,870 square metres and the total lettable area was currently estimated to be in the region of 80,000 to 85,000 square meters and in addition with around 650 car parking spaces. The Group had an option to put its interest in the development project to the JV Partner at a consideration of HK\$530 million. The building proposal together with the building plans of the development scheme had already been submitted to the relevant authority in the PRC for approval. The management expected the development project to be completed by early 2007.

### Hong Tai Building, Chongqing, the PRC

During the Period, the Group obtained judgment against Chongqing Hong Tai Property Development Co., Ltd. ("Hong Tai") for failure to complete and deliver vacant possession of certain units and car parks (collectively "the Properties") purchased by the Group in Chongqing Hong Tai Building. Hong Tai was ordered to deliver the Properties or to refund the deposit paid in the sum of RMB29.05 million (approximately HK\$25.9 million) together with accrued interests to the Group. The Group had recovered part of the deposit paid in the sum of approximately RMB16.2 million (approximately HK\$15.2 million), leading to the reversal of provision for the same amount previously made in respect of the deposit paid. The Group reserved its right to recover the balance of the deposit.

## OPERATION REVIEW (Continued)

### Hotel Project in Macau

On 3rd November, 2004, the Group entered into agreement to participate in 45% interest in a project to acquire a building in Macau from an independent third party at a consideration of HK\$645 million, subject to the approval of the shareholders of the Company. The building was to be converted into a hotel with casino concourse, VIP casino halls, food and beverage outlets, entertainment facilities and retail outlets. The Group's estimated investment in the project was HK\$405 million and the hotel was expected to be completed by the end of 2005.

### Vessel Acquisition

On 23rd November, 2004, the Group entered into agreement to acquire Golden Princess ("Vessel"), a cruise ship from The Albert Yeung Discretionary Trust, the substantial shareholder of the Company ("Vessel Agreement"), subject to the approval of the shareholders of the Company. The Vessel has a gross tonnage of 12,704 tons and a passenger capacity of 570 guests. It provides on board cruise activities, services and entertainment facilities and amenities, including casino, to its passengers. The vendor undertakes to procure the casino to be leased out to a casino operator for one year at a monthly rental of HK\$9 million plus 30% of the net profit after tax of the casino operation. The consideration for the Vessel was US\$17.0 million which was based on the valuation of an independent valuer. The consideration would be satisfied by allotment of shares in the Company at the price of HK\$12.7 per share (or HK\$1.27 per subdivided share upon the proposed Share Subdivision as mentioned below becoming effective) and such shares would not be entitled to any rights shares as mentioned below. The acquisition would bring in immediate revenue to the Group.

## PROPOSED CHANGE OF COMPANY'S NAME

Following the recent development of the Group's new business ventures, the Directors of the Company proposed to change the Company's name to Emperor Entertainment Hotel Limited and to adopt a new Chinese name of 英皇娛樂酒店有限公司 in lieu of 英皇(中國概念)投資有限公司 in order to better reflect the future direction and focus of the Group's businesses. The name change is subject to the approval of the Registrar of Companies in Bermuda and the shareholders of the Company at a shareholders' meeting to be held on 3rd January, 2005 ("SGM").

## CAPITAL STRUCTURE

As at 30th September, 2004, the authorised share capital of the Company was HK\$200,000,000 divided into 200,000,000,000 shares among which 11,006,883 shares had been issued and were fully paid or credited as fully paid.

### Post Balance Sheet Events

#### *Placing of New Shares*

On 6th December, 2004, the Company placed in aggregate 2,200,000 new shares at the price of HK\$10 per share ("Placing Shares") to six independent institutional investors ("Placement"). The net proceeds of approximately HK\$21.3 million received from the Placement would be applied as the Group's general working capital. After the Placement, the Company's issued share capital increased to 13,206,883 shares as enlarged by the Placing Shares.

## CAPITAL STRUCTURE (Continued)

### Post Balance Sheet Events (Continued)

#### *Proposed Share Subdivision and Proposed Rights Issue*

As disclosed in the announcement dated 18th November, 2004, the Directors of the Company proposed to effect share subdivision under which the par value of each issued and unissued share of the Company would be adjusted from HK\$0.001 to HK\$0.0001 by subdividing each issued and unissued share of the Company into ten subdivided shares ("Share Subdivision"). Upon approval at the SGM, the Share Subdivision would become effective on 3rd January, 2005, and the Company's issued and authorised share capital would increase to 132,068,830 shares and 2,000,000,000,000 shares respectively.

In addition, the Company proposed to raise approximately HK\$449.0 million before expenses by issuing 660,344,150 rights shares at a price of HK\$0.68 per rights share (assuming the Share Subdivision has become effective) ("Rights Issue"), on the basis of five rights shares for every subdivided share. The estimated net proceeds of the Rights Issue would be approximately HK\$443.5 million. The net proceeds of the Rights Issue would be used for the acquisition and the future development of the Company's new hotel project in Macau as well as the general working capital of the Group. Upon completion of the Rights Issue which was expected to be on 21st January, 2005, the Company's issued share capital would be enlarged to 792,412,980 shares.

The Company had sent to its shareholders on 10th December, 2004 a circular (the "Circular") in relation to, inter alia, the acquisition of 90% interest in Great Assets Holdings Limited ("Acquisition"), the Rights Issue and the related Whitewash Waiver (as defined in the Circular). The Circular contained a letter ("IFA Letter") from Menlo Capital Limited and Grand Vinco Capital Limited, the joint independent financial advisers of the Company (the "Joint IFA"), setting out their advice in respect of (i) the Acquisition; (ii) the Rights Issue; and (iii) the Whitewash Waiver. The Company had been informed by the joint IFA that their view and advice contained in the IFA Letter would not change upon release of the interim results for the Period of the Company.

## CAPITAL STRUCTURE (Continued)

### Post Balance Sheet Events (Continued)

#### *Allotment and Issue of Shares*

Pursuant to the Vessel Agreement, the Company would allot and issue 104,409,000 new subdivided shares at a price of HK\$1.27 per subdivided share to the Vessel vendor as the consideration for the acquisition of the Vessel. Such shares would not be entitled to the proposed Rights Issue and their issue price was equivalent to the theoretical ex-rights price based on the last closing price of the shares prior to the Vessel Agreement. After the allotment and issue of the new subdivided shares, the Company's issued share capital would be increased to 896,821,980 shares.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group mainly funded its operations and capital expenditure through advances from a related company. In the meantime, the Group had settled advances from another related company and a minority shareholder of a subsidiary via the acquisition of the remaining 10% interest in a subsidiary.

As at 30th September, 2004, the Group had current assets of approximately HK\$0.7 million and current liabilities of approximately HK\$0.2 million. As a result of the settlement of the advances from another related company and a minority shareholder of a subsidiary, the Group's debt to equity ratio (expressed as a percentage of total liabilities over shareholders' fund) significantly dropped from 14% in the preceding financial year to 4% as at the end of the Period.

## LIQUIDITY AND FINANCIAL RESOURCES (Continued)

As at the end of the Period, advances from the related company were approximately HK\$9.3 million, which were denominated in Hong Kong dollars, unsecured, interest bearing at prevailing market rates and had no fixed terms of repayment. Shortly after the Placement, the Group had utilised part of the net proceeds to repay the entire amount of the advances.

Save as disclosed above and the accrued charges and other payables, the Group had no other external borrowings as at 30th September, 2004. Bank and cash held in hand by the Group at the same date were approximately HK\$0.2 million, which were denominated in Hong Kong dollars and Reminbi.

During the Period, the Group had no significant exposure to foreign exchange rate fluctuation.

With its existing loan facility, the Placement and the proposed Rights Issue (subject to the fulfillment of the conditions of the Rights Issue), the Directors of the Company were of the opinion that the Group had sufficient working capital for its operation and its future development.

## CAPITAL COMMITMENTS

As at 30th September, 2004, the Group had capital commitments in aggregate of approximately HK\$51.6 million in respect of property development project in Shanghai, the PRC.

## NUMBER AND REMUNERATION OF EMPLOYEES

As disclosed under the heading “Yu Yuan, Shanghai, the PRC” above, the Group had entered into the JV Agreement to develop the property jointly with a JV Partner. During the Period, the property development project in Shanghai had been reactivated and the Group commenced to recruit new staff. As at 30th September, 2004, two employees were signed up by the Group. Total staff costs, mainly representing Directors’ remuneration, for the Period were approximately HK\$0.5 million. The management would continue to monitor the progress of the project and recruit new staff when appropriate.

The Company adopted a share option scheme on 2nd September, 2002, the purpose of which was to provide incentives or rewards to participants. No option had been granted since its adoption.

## PROSPECTS

The core business of the Group had been property investment and development. Following completion of the acquisition of the property in Macau and the Vessel, the Group’s business focus would be extended to include tourist and gaming entertainment businesses. The management believed that the expansion in the scope of the Group’s business would broaden and enrich the income base of the Group.