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## CORPORATE INFORMATION

### Executive Directors

Deacon Te-ken CHIU, J.P. (*Chairman*)

Derek CHIU (*Managing Director and Chief Executive*)

Desmond CHIU (*Deputy Managing Director*)

Margaret CHIU

### Non-executive Directors

CHIU JU Ching-lan, J.P.

Dick Tat-sang CHIU

David Tat-cheong CHIU

Dennis Tat-shing CHIU

Duncan CHIU

### Independent Non-executive Directors

IP Shing-hing, J.P.

NG Wing-hang Patrick

Choy Wai-shek Raymond, MH, J.P.

### Alternate Directors

CHAN Chi-hing (*Alternate Director to Deacon Te-ken CHIU*)

TANG Sung-ki (*Alternate Director to Desmond CHIU*)

### Company Secretary

TANG Sung-ki, CPA, FCCA

### Solicitors

Woo, Kwan, Lee & Lo

### Auditors

Deloitte Touche Tohmatsu

### Principal Bankers

Allied Banking Corporation (Hong Kong) Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

### Registered Office

Suite 2308, 23rd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

### Share Registrars

Standard Registrars Limited

Ground Floor,

Bank of East Asia Harbour View Centre,

56 Gloucester Road, Wanchai,

Hong Kong.

### Stock Exchange

The Shares of the Company are listed on The Stock Exchange of Hong Kong Limited

### Stock Code

037

## MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

### OVERALL RESULTS

For the six months ended 30 September 2005, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net profit attributable to shareholders of HK\$1,039,749 (30/09/2004: net loss of HK\$7,885,442).

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2005 (2004: Nil).

### REVIEW OF OPERATIONS AND PROSPECTS

The turnover of Cheung Chau Warwick Hotel has decreased by 6% compared with last corresponding period. During the period under review, the Hotel carried out the upgrading works so that certain rooms were temporarily suspended from sale. This resulted in a decrease in room revenue. With currently 55 rooms fully renovated and the last phase of renovation being expected to be finished by the end of 2006, the management believes that both the occupancy rate and room rate will further improve.

With the completion of Phase II's renovation of Beijing Warwick International Apartments, about 50% of rooms of East Wing are upgraded. Good comments were received from customers concerning our service provided and the newly renovated rooms. To increase the flexibility and convenience, customers can now make booking through several appointed travel agents via Internet. The turnover of Beijing Warwick International Apartments has increased by 26% compared with last corresponding period. Further, the management intends to fully renovate Beijing Warwick International Apartments so as to cope with the benefit of 2008 Olympic Games event as more travellers will come to Beijing.

### EMPLOYEES

The Group has approximately 100 employees. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well performed employees.

## **FINANCE ACTIVITIES**

At 30/9/2005, the Group had bank loan and overdraft facilities amounting to approximately HK\$53,875,000 (31/3/2005: HK\$31,734,000), of which approximately HK\$46,971,000 (31/3/2005: HK\$29,545,000) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits.

At 30/9/2005, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/9/2005 amounted to approximately HK\$481 million (31/3/2005: approximately HK\$481 million). Accordingly, the Group's gearing ratio (total bank and other borrowings facilities utilised to shareholders' funds) at 30/9/2005 is 10% (31/3/2005: 6%).

**Derek Chiu**

*Managing Director & Chief Executive*

Hong Kong, 16 December 2005

**ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES**

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES**

At 30 September 2005, the interests and short positions of the directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:–

**(a) Ordinary shares of HK\$1.00 each of the Company**

Name of Director	Personal interests	Corporate interests	Total	Approximate percentage of issued share capital of the Company
Mr. Deacon Te-ken Chiu	12,491,424	108,901,052 (Note 1)	121,392,476	24.83%
Mr. Derek Chiu	12,394,000	78,430,299 (Note 2)	90,824,299	18.58%
Madam Chiu Ju Ching-lan	188,000	–	188,000	0.04%
Mr. Dick Tat-sang Chiu	12,172,800	22,277,033 (Note 3)	34,449,833	7.05%
Mr. David Tat-cheong Chiu	3,144,627	–	3,144,627	0.64%
Ms. Margaret Chiu	676,240	5,000,000 (Note 4)	5,676,240	1.16%
	<u>41,067,091</u>	<u>214,608,384</u>	<u>255,675,475</u>	<u>52.30%</u>

## Notes:

- (1) Of the 108,901,052 shares, (i) 100,939,842 shares were held by various private companies controlled by Mr. Deacon Te-ken Chiu of which 72,182,400 shares were held by Achiemax Limited; (ii) 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited; and (iii) 7,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Technology International Limited. Mr. Deacon Te-ken Chiu is a controlling shareholder of these companies.
- (2) The 78,430,299 shares were held by Energy Overseas Ltd., a company controlled by Mr. Derek Chiu.
- (3) The 22,277,033 shares were held by various private companies controlled by Mr. Dick Tat-sang Chiu.
- (4) The 5,000,000 shares were held by a private company controlled by Ms. Margaret Chiu.

**(b) Share options of the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of share options held</b>	<b>Number of underlying shares</b>
Mr. Deacon Te-ken Chiu	Beneficial owner	5,000,000	5,000,000
Mr. Derek Chiu	Beneficial owner	1,590,000	1,590,000
Madam Chiu Ju Ching-lan	Beneficial owner	4,000,000	4,000,000
Ms. Margaret Chiu	Beneficial owner	7,000,000	7,000,000
Mr. Tang Sung-ki	Beneficial owner	6,150,000	6,150,000
		23,740,000	23,740,000

No share options were granted or exercised during the period concerned.

Save as disclosed above, as at 30 September 2005, none of the directors nor the Company's chief executives nor their respective associates, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listing Companies.

## SUBSTANTIAL SHAREHOLDERS

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, as at 30 September 2005, the following persons or corporations (other than a director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in five per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:—

Name of Shareholder	Capacity	Interests in shares of the Company	Approximate percentage of issued share capital of the Company
Achiemax Limited (Note 1)	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. (Note 2)	Beneficial owner	78,430,299	16.04%

Notes:

1. Mr. Deacon Te-ken Chiu and Mr. Dennis Tat-shing Chiu are directors of Achiemax Limited.
2. Energy Overseas Ltd. is a company controlled by Mr. Derek Chiu who is also its director.

Save as disclosed above, as at 30 September 2005 and so far as is known to the directors or chief executive of the Company, there was no other person (other than a director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in five per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

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

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

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2005.

## **CORPORATE GOVERNANCE**

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, with deviations from code provision A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.



None of the existing non-executive director of the Company is appointed for a specific term and managing director is not subject to re-election by rotation by the Company's articles of association (the "Articles") 76. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company excluding Managing Director are subject to the retirement by rotation at each annual general meeting under Articles 78 and 79 of the Company. In view of good Corporate Governance Practices, Managing Director voluntarily retires from his office at the forthcoming annual general meeting of the Company notwithstanding that he is not required to do so by the Company's Article 76. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

## **REMUNERATION COMMITTEE**

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Mr. Ng Wing-hang Patrick and Mr. Choy Wai-shek and the Managing Director, Mr. Derek Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

All directors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the six months ended 30 September 2005.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		Six months ended 30 September	
		2005	2004
		(unaudited)	(unaudited) (restated)
		HK\$	HK\$
	Notes		
Turnover	3	10,820,994	12,022,674
Cost of sales		<u>(13,636,137)</u>	<u>(12,005,753)</u>
		(2,815,143)	16,921
Other operating income		490,165	2,080
Gain on disposal of investment property		39,282	–
Administrative expenses		(6,715,275)	(7,059,586)
Other operating expenses		<u>(791,486)</u>	<u>(791,486)</u>
Loss from operations		(9,792,457)	(7,832,071)
Finance costs	5	(869,762)	(1,987,223)
Share of results of associates		<u>11,701,968</u>	<u>1,933,852</u>
Profit (Loss) before taxation		1,039,749	(7,885,442)
Taxation	6	–	–
Profit (Loss) for the period		<u><u>1,039,749</u></u>	<u><u>(7,885,442)</u></u>
		Cent	Cent
Earnings (Loss) per share	7		
– basic		<u>0.21</u>	<u>(1.61)</u>
– diluted		<u>0.21</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 SEPTEMBER 2005

	Notes	30/09/2005 (unaudited) HK\$	31/03/2005 (audited) (restated) HK\$
<b>Non-current Assets</b>			
Property, plant and equipment		164,475,676	161,864,863
Investment properties		31,206,357	32,038,810
Intangible asset		5,598,900	6,541,600
Interests in associates	8	145,115,699	133,386,080
Available-for-sale investments/ investments in securities		187,817,795	188,291,795
		<u>534,214,427</u>	<u>522,123,148</u>
<b>Current Assets</b>			
Financial assets at fair value/ investments in securities		7,754,412	8,334,872
Inventories		511,701	481,263
Trade and other receivables	9	7,763,205	7,479,543
Deposit for acquisition of properties		7,650,000	–
Amount due from associates		208,562	621,294
Amount due from related companies		804,430	804,430
Pledged bank deposits		2,198,316	2,178,192
Bank balances and cash		42,511,310	12,764,280
		<u>69,401,936</u>	<u>32,663,874</u>
<b>Current Liabilities</b>			
Trade and other payables	10	5,071,654	26,539,314
Deposits received		573,366	520,860
Amount due to associates		58,633,729	6,142,340
Amount due to directors		–	246,109
Amount due to related companies		109,346	100,810
Amount due to a minority shareholder		1,074,134	962,264
Obligation under finance leases – due within 1 year		188,570	238,190
Bank and other borrowings – due within 1 year		3,255,506	7,321,375
		<u>68,906,305</u>	<u>42,071,262</u>
<b>Net Current Assets (Liabilities)</b>		<u>495,631</u>	<u>(9,407,388)</u>
		<u>534,710,058</u>	<u>512,715,760</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

AT 30 SEPTEMBER 2005

	Notes	30/09/2005 (unaudited) HK\$	31/03/2005 (audited) (restated) HK\$
<b>Capital and Reserves</b>			
Share capital	11	488,842,675	488,842,675
Reserves		(7,549,435)	(8,142,835)
		<u>481,293,240</u>	<u>480,699,840</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		7,519,423	7,519,423
Provision for long service payments		2,164,534	2,164,534
Obligation under finance leases – due after 1 year		17,234	108,034
Bank and other borrowings – due after 1 year		43,715,627	22,223,929
		<u>53,416,818</u>	<u>32,015,920</u>
		<u><u>534,710,058</u></u>	<u><u>512,715,760</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Investment property revaluation reserve HK\$	Revaluation reserve HK\$	Exchange reserve HK\$	Special reserve HK\$	Deficit HK\$	Total HK\$
At 1 April 2005 (Audited)	488,842,675	92,805,386	21,223,231	28,990,000	-	-	(2,754,806)	(37,225,662)	(111,180,984)	480,699,840
Effect of change in accounting policy HKAS 39	-	-	-	-	-	4,562,250	-	-	(4,562,250)	-
As restated	488,842,675	92,805,386	21,223,231	28,990,000	-	4,562,250	(2,754,806)	(37,225,662)	(115,743,234)	480,699,840
Unrealised holding loss on available-for-sale investments	-	-	-	-	-	(474,000)	-	-	-	(474,000)
Share of exchange adjustments of an associate	-	-	-	-	-	-	27,651	-	-	27,651
Profit for the period	-	-	-	-	-	-	-	-	1,039,749	1,039,749
At 30 September 2005 (Unaudited)	<u>488,842,675</u>	<u>92,805,386</u>	<u>21,223,231</u>	<u>28,990,000</u>	<u>-</u>	<u>4,088,250</u>	<u>(2,727,155)</u>	<u>(37,225,662)</u>	<u>(114,703,485)</u>	<u>481,293,240</u>
At 1 April 2004 (Audited)	488,842,675	92,805,386	21,223,231	28,990,000	5,372,809	-	(1,597,299)	(37,225,662)	(119,972,853)	478,438,287
Effect of change in accounting policy HKAS 40	-	-	-	-	(5,372,809)	-	-	-	5,372,809	-
As restated	488,842,675	92,805,386	21,223,231	28,990,000	-	-	(1,597,299)	(37,225,662)	(114,600,044)	478,438,287
Share of exchange adjustments of an associate	-	-	-	-	-	-	73,998	-	-	73,998
Loss for the period	-	-	-	-	-	-	-	-	(7,885,442)	(7,885,442)
At 30 September 2004 (Unaudited)	<u>488,842,675</u>	<u>92,805,386</u>	<u>21,223,231</u>	<u>28,990,000</u>	<u>-</u>	<u>-</u>	<u>(1,523,301)</u>	<u>(37,225,662)</u>	<u>(122,485,486)</u>	<u>470,626,843</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
		(restated)
	HK\$	HK\$
Net cash from (used in) operating activities	24,765,334	(13,618,040)
Net cash (used in) from investing activities	(11,545,823)	31,840,673
Net cash from (used in) financing activities	21,242,390	(9,343,318)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	34,461,901	8,879,315
Cash and cash equivalents at beginning of the period	7,835,159	(5,644,243)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>42,297,060</u>	<u>3,235,072</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	42,511,310	3,340,221
Bank overdrafts	(214,250)	(105,149)
	<hr/>	<hr/>
	<u>42,297,060</u>	<u>3,235,072</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis Of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2005 annual financial statements.

### 2. Significant Accounting Policies And Changes In Accounting Policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and available-for-sale investments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2005 except as described below:

In current period, the Group applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes of the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

#### a) *Presentation of Financial Statements*

HKAS 1 “Presentation of Financial Statements” affects certain presentation in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity, including the following:

- i) tax of jointly-controlled entity and associates attributable to the Group, which were previously included in the tax charge on the consolidated income statement, are now included in the share of profits and losses of jointly-controlled entity and associates, respectively; and
- ii) minority interests are now included in the equity section of the balance sheet.

The changes in presentation have been applied retrospectively.

**b) *Lease Premium for Land***

The adoption of HKAS 17 "Leases" has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and any accumulated impairment losses. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at cost less accumulated depreciation and any accumulated impairment losses.

The change in accounting policy has been adopted retrospectively, but no adjustment was made to the opening balance of retained earnings as at 1 April 2005 as the effect resulted from the change in accounting policy is not significant to the Group's results of operations and financial position.

**c) *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 measurement.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale investments and financial assets at fair value. The classification depends on the purpose for which the investments were held. As a result of the adoption of HKAS 39, all the investments are now stated at fair value in balance sheet, except for certain available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. In addition, all the investments as at 31 March 2005 that should be measured at fair value on adoption of HKAS 39 should be remeasured at 1 April 2005 and any adjustment of the previous carrying value amount should be recognized as an adjustment of the balance of revaluation reserves at 1 April 2005. The revaluation reserves at 1 April 2005 and 30 September 2005 have been increased by HK\$4,562,250 and decreased by HK\$474,000 respectively. Comparative figures have not been restated.



Available-for-sale investments are carried at fair value with any unrealised gains and losses recognised in equity. Financial assets at fair value with any fair value change are included in the income statement. Available-for-sale investments and financial assets at fair value were previously classified as investments in securities (non-current assets) and investments in securities (current assets).

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowing using the effective interest method or at fair value through profit and loss. Borrowings were previously carried at cost.

**d) *Investment Properties***

Following the adoption of HKAS 40 "Investment Property", changes in the fair values of investment properties are included in the income statement. Previously the Group had recorded such fair value changes in the property valuation reserve. The adoption of new HKAS 40 has been applied retrospectively and comparative figures presented have been restated to conform to the changed policy. Opening deficit at 1 April 2004 has been decreased by HK\$5,372,809.

**e) *Deferred Taxes Related to Investment Properties***

In addition, Hong Kong Accounting Standard Interpretation ("HKAS-Int") 21 now requires deferred tax to be calculated using profits tax rates on these surpluses and deficits. The applied HKAS-Int 21 does not have any material effect on the financial statements for the current period. Comparative figures have not been restated.

**f) *Employee Share Option Scheme (HKFRS 2, Share-based payment)***

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy has not been applied retrospectively with comparatives restated in accordance with HKFRS 2 as the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (a) all options granted to employees on or before 7 November 2002; and
- (b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

Accordingly, no adjustment was made to the Group's opening balance of retained earnings and capital reserves as at 1 April 2005.

## 3. Business And Geographical Segments

### Business segments

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
<b>2005</b>							
<b>REVENUE</b>							
Six months ended 30 September (unaudited)							
Turnover	5,946,196	3,398,094	845,636	-	631,068	-	10,820,994
<b>RESULTS</b>							
Segment results	(93,727)	(1,245,016)	(2,107,468)	-	631,068	-	(2,815,143)
Bank interest income							326,690
Dividend income	-	-	163,475	-	-	-	163,475
Gain on disposal of investment property	-	39,282	-	-	-	-	39,282
Unallocated administrative expenses							(6,715,275)
Other operating expenses	-	(791,486)	-	-	-	-	(791,486)
Loss from operations							(9,792,457)
Finance costs							(869,762)
Share of results of associates	-	-	-	11,699,063	-	2,905	11,701,968
Profit before taxation							1,039,749
Taxation							-
Profit for the period							1,039,749
<b>2004</b>							
<b>REVENUE</b>							
Six months ended 30 September (unaudited & restated)							
Turnover	6,328,355	3,937,218	1,104,331	39,561	613,209	-	12,022,674
<b>RESULTS</b>							
Segment results	636,355	(1,253,862)	(18,342)	39,561	613,209	-	16,921
Bank interest income							1,900
Dividend income	-	-	180	-	-	-	180
Gain on disposal of investment property	-	-	-	-	-	-	-
Unallocated administrative expenses							(7,059,586)
Other operating expenses	-	(791,486)	-	-	-	-	(791,486)
Loss from operations							(7,832,071)
Finance costs							(1,987,223)
Share of results of associates	-	213,941	-	7,901,781	-	(6,181,870)	1,933,852
Loss before taxation							(7,885,442)
Taxation							-
Loss for the period							(7,885,442)

**Geographical segments**

	Sales revenue by geographical market		Segment results profit (loss)	
	2005 (unaudited) HK\$	2004 (unaudited) HK\$	2005 (unaudited) HK\$	2004 (unaudited) HK\$
Hong Kong	7,431,300	9,334,056	(1,707,787)	2,075,362
Other regions in the People's Republic of China	3,389,694	2,688,618	(1,107,356)	(2,058,441)
	<u>10,820,994</u>	<u>12,022,674</u>	<u>(2,815,143)</u>	<u>16,921</u>

**4. Depreciation And Amortisation**

During the period, depreciation of HK\$2,586,915 (2004: HK\$2,528,340) was charged in respect of the Group's property, plant and equipment.

During the period, amortisation of HK\$942,700 (2004: HK\$942,700) was charged in respect of the Group's intangible assets.

**5. Finance Costs**

	Six months ended 30 September	
	2005 (unaudited) HK\$	2004 (unaudited) HK\$
Interest on bank and other borrowings:		
Wholly repayable within 5 years	24,521	1,782,602
Not wholly repayable within 5 years	829,820	180,686
Interest on finance leases	15,421	23,935
	<u>869,762</u>	<u>1,987,223</u>

**6. Taxation**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profit in both periods.

## 7. Earnings (Loss) Per Share

### (a) *Basic earnings (loss) per share*

The calculation of basic earnings (loss) per share is based on the profit for the period of HK\$1,039,749 (2004: loss of HK\$7,885,442) and 488,842,675 (2004: 488,842,675) ordinary shares in issue during the period.

### (b) *Diluted earnings (loss) per share*

The computation of diluted earnings per share has not assumed the exercise of the outstanding share options of the Company since their exercise prices were greater than the average market price of shares for the period.

No diluted loss per share is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share in year 2004.

## 8. Interests In Associates

The following financial information is extracted from the unaudited financial statements, as adjusted, of the Group's principal associates.

	<b>Bolan Holdings N.V. 30 June 2005 (unaudited) HK\$</b>	<b>Central More Limited 30 June 2005 (unaudited) HK\$</b>
Operating results for the six months ended 30 June 2005:		
Turnover	614,835	270,000
Profit (Loss) before taxation	<u>(250,177)</u>	<u>28,345,022</u>
Profit (Loss) before taxation attributable to the Group	(112,580)	14,172,511
Share of tax attributable to the Group	–	(2,473,448)
Profit (Loss) after taxation attributable to the Group	<u>(112,580)</u>	<u>11,699,063</u>
Financial position at 30 June 2005:		
Non-current assets	327,448,352	115,514,664
Current assets	441,589	36,075,813
Current liabilities	(4,375,410)	(13,887,349)
Non-current liabilities	(159,880,727)	–
Net assets	<u>163,633,804</u>	<u>137,703,128</u>
Net assets attributable to the Group	<u>73,635,212</u>	<u>68,851,564</u>

**9. Trade And Other Receivables**

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade receivables at the reporting date:

	<b>30/9/2005</b> <b>(unaudited)</b> <b>HK\$</b>	<b>31/3/2005</b> <b>(audited)</b> <b>HK\$</b>
0-30 days	174,791	259,853
31-60 days	34,801	52,666
Over 60 days	44,299	136,015
	<hr/>	<hr/>
Trade receivables	253,891	448,534
Other receivables	7,509,314	7,031,009
	<hr/>	<hr/>
	<b>7,763,205</b>	<b>7,479,543</b>
	<hr/> <hr/>	<hr/> <hr/>

**10. Trade And Other Payables**

The following is an aged analysis of trade payables at the reporting date:

	<b>30/9/2005</b> <b>(unaudited)</b> <b>HK\$</b>	<b>31/3/2005</b> <b>(audited)</b> <b>HK\$</b>
0-30 days	445,494	780,172
31-60 days	326,538	466,670
Over 60 days	1,287,427	1,019,269
	<hr/>	<hr/>
Trade payables	2,059,459	2,266,111
Other payables	3,012,195	24,273,203
	<hr/>	<hr/>
	<b>5,071,654</b>	<b>26,539,314</b>
	<hr/> <hr/>	<hr/> <hr/>

## 11. Share Capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 12. Commitments

### (a) Operating lease arrangements

*The Group as lessee:*

At 30/9/2005, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30/9/2005 (unaudited) HK\$	31/3/2005 (audited) HK\$
Within one year	4,028,004	4,224,764
In the second to fifth year inclusive	16,112,017	15,849,057
Over five years	56,392,060	57,452,830
	<u>76,532,081</u>	<u>77,526,651</u>

*The Group as lessor:*

Property rental income earned during the period was HK\$3,398,094 (2004: HK\$3,937,218).

At 30/9/2005, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30/9/2005 (unaudited) HK\$	31/3/2005 (audited) HK\$
Within one year	—	4,200

**(b) Capital commitments**

	<b>30/9/2005</b> <b>(unaudited)</b> <b>HK\$</b>	31/3/2005 (audited) HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b><u>43,350,000</u></b>	<u>630,409</u>