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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in Emperor Entertainment Hotel Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptances, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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英皇集團（國際）有限公司\*  
**Emperor International Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 163)



英皇娛樂酒店有限公司\*  
**Emperor Entertainment Hotel Limited**  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 296)

### COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO VOLUNTARY CONDITIONAL OFFER BY EMPEROR CAPITAL ON BEHALF OF WORTHLY STRONG FOR ALL THE ISSUED SHARES IN EEH (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Worthy Strong



英皇融資有限公司  
**Emperor Capital Limited**

Independent Financial Adviser to the Independent Board Committee of Emperor Entertainment Hotel Limited

**Piper Jaffray**

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Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Emperor Capital containing, among other things, the details of the terms of and condition to the Offer is set out on pages 7 to 16 of this Composite Document.

A letter from the EEH Board is set out on pages 17 to 21 of this Composite Document.

A letter from the EEH Independent Board Committee containing its recommendations to the EEH Independent Shareholders is set out on page 22 of this Composite Document.

A letter from Piper Jaffray, containing its opinion on the Offer and its advice to the EEH Independent Board Committee and the EEH Independent Shareholders is set out on pages 23 to 41 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances should be received by the Registrar no later than 4:00 p.m. on Monday, 28 February 2011 or such other time as the Offeror may determine and announce in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas holders of EEH Shares" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas EEH Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas EEH Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and any changes to the timetable will be announced by the Offeror and EEH.*

Offer commences ( <i>Note 1</i> ) . . . . .	24 January 2011
EIHL SGM and EEH SGM . . . . .	14 February 2011
Offer becoming unconditional ( <i>Note 2</i> ). . . . .	14 February 2011
Expected date of completion of the Transaction . . . . . (being within 7 business days after fulfilment of conditions of the Transaction)	on or before 23 February 2011
Latest time and date for acceptance of the Offer . . . . . (assuming the Offer has become unconditional)	4:00 p.m. on 28 February 2011
Closing Date of the Offer . . . . .	28 February 2011
Announcement of the results of the Offer posted on the Stock Exchange's website, EIHL's website and EEH's website . . . . .	not later than 7:00 p.m. on, 28 February 2011
Latest date for the posting of remittances for the amounts due under the Offer and the share certificates of EIHL Shares in respect of valid acceptances received on or before 4:00 p.m. on the Closing Date ( <i>Note 3</i> ) . . . . .	28 February 2011

*Notes:*

1. The Offer is made on 24 January 2011, being the date of posting of this Composite Document, and is capable of acceptance on and from that date. The Offer is conditional. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code.
2. In accordance with the Takeovers Code, the Offer must be open for acceptance for at least 21 days following the date on which this Composite Document is posted. If the Offer becomes unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code and an announcement will be issued by the Offeror to inform the EEH Shareholders accordingly. If the Offer does not become unconditional on or before 14 February 2011, the Offer will lapse and the Offeror will not proceed with the Offer.
3. Remittances in respect of cash consideration (after deducting the seller's ad valorem stamp duty) payable for the EEH Shares tendered under the Offer and the share certificates of EIHL Shares will be posted by ordinary post to the holders of EEH Shares accepting the Offer at their own risk as soon as possible, but in any event within 10 days of the later of the date on which the Offer becomes, or is declared unconditional and the date of receipt by the Registrar of all the relevant documents of title to render the acceptance by such holder under the Offer complete and valid.

Effect of bad weather on the latest time for acceptance for the Offer

The latest time for acceptance will not take place if there is (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 28 February 2011. Instead the latest time and date for acceptance of the Offer will be extended to 5:00 p.m. on the same business day; or (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 28 February 2011. Instead the latest time for acceptance will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

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## **EXPECTED TIMETABLE**

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If the latest time for acceptance does not take place on Monday, 28 February 2011, the dates mentioned in this section in this Composite Document may be affected and an announcement will be made jointly by EIHL and EEH in such event.

All time and date references contained in this Composite Document refer to Hong Kong time and date.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:*

“AY Trust”	The Albert Yeung Discretionary Trust (of which Dr. Yeung Sau Shing, Albert is the founder), a deemed substantial shareholder of EEH, the eligible beneficiaries of which are family members of Dr. Yeung Sau Shing, Albert
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Charron”	Charron Holdings Limited, a company incorporated in the British Virgin Islands and indirectly wholly-owned by the AY Trust, the trustee of which is STC International Limited
“Closing Date”	the closing date of the Offer being Monday, 28 February 2011 assuming the Offer has become conditional
“Completion”	means completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Transaction Agreement which is expected to be on or before 23 February 2011
“Composite Document”	the composite offer and response document issued by or on behalf of EIHL and EEH to all EEH Shareholders in accordance with the Takeovers Code containing, inter alia, details of the Offer, terms and conditions of the Offer and the acceptance and transfer from in respect of the Offer
“Concert Parties”	the parties acting in concert with the Offeror (has the same meaning ascribed to it in the Takeovers Code)
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration payable for the Transaction by the Purchaser to the Vendor in the manner provided in the Transaction Agreement
“Consideration Share(s)”	452,391,094 EIHL Shares to be issued and allotted to the Vendor or its nominee under the Transaction Agreement, credited as fully paid
“EEH”	Emperor Entertainment Hotel Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“EEH Board”	the board of EEH Directors

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## DEFINITIONS

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“EEH Cash Dividend”	the proposed interim cash dividend of HK\$0.04 per EEH Share for the financial year ending 31 March 2011 as stated in the interim report of EEH 2010/2011
“EEH Director(s)”	directors of EEH
“EEH Distribution”	proposed payment of a special dividend by way of distribution in specie of seven EIHL Shares for every twenty EEH Shares held by the EEH Shareholders registered on the register of members on the EEH Record Date
“EEH Group”	EEH and its subsidiaries
“EEH Independent Board Committee”	an independent committee of the board comprising all the non-executive EEH Directors (except for Ms. Luk Siu Man, Semon who has deemed interest in the Offer by virtue of being the spouse of Dr. Yeung Sau Shing, Albert who is the founder of the AY Trust which is in turn indirectly interested in 71.65% in EIHL, the holding company of the Offeror) has formed for advising the EEH Independent Shareholders in respect of the Transaction Agreement together with the Offer
“EEH Independent Shareholders”	EEH Shareholders other than Worthy Strong, and the Concert Parties
“EEH Record Date”	the record date by reference to which entitlement to the EEH Distribution are determined
“EEH SGM”	the special general meeting of EEH to be convened and held for the purpose of considering and if thought fit, approving, among others, the Transaction Agreement and the EEH Distribution
“EEH Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of EEH
“EEH Shareholder(s)”	the holder(s) of the EEH Shares
“EIHL”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“EIHL Board”	the board of EIHL Directors
“EIHL Cash Dividend”	the declared interim cash dividend of HK\$0.048 per EIHL Share for the financial year ending 31 March 2011 as stated in the interim report of EIHL 2010/2011
“EIHL Director(s)”	directors of EIHL

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## DEFINITIONS

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“EIHL Distribution”	proposed payment of a special dividend by way of distribution in specie of one EIHL Share for every six EIHL Shares held by the EIHL Shareholders registered on the register of members on the EIHL Record Date
“EIHL Group”	EIHL and its subsidiaries
“EIHL Record Date”	the record date by reference to which entitlement to the EIHL Distribution are determined
“EIHL SGM”	the special general meeting of EIHL to be convened and held for the purpose of considering and, if thought fit, approving the issue of the Consideration Shares and the EIHL Shares under the Offer, and approving the EIHL Distribution
“EIHL Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of EIHL
“EIHL Shareholder(s)”	the holder(s) of EIHL Shares
“Emperor Capital”	Emperor Capital Limited, a licensed corporation registered to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Expert Pearl”	Expert Pearl Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of EEH
“Expert Pearl Group”	Expert Pearl and its subsidiaries
“First Last Trading Date”	24 November 2010, being the last trading day prior to the suspension of trading in EEH Shares or EIHL Shares pending the publication of the joint announcement of EIHL and EEH on 3 December 2010 in relation to the Transaction, the Offer, the EEH Distribution and the EIHL Distribution
“Form of Acceptance”	the form of acceptance and transfer of the EEH Shares in respect of the Offer accompanying this Composite Document
“Grand Chain” or “Purchaser”	Grand Chain Profits Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of EIHL
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Piper Jaffray”	Piper Jaffray Asia Limited, a licensed corporation registered to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO which has been appointed as the independent financial adviser to the EEH Independent Board Committee in relation to the Offer
“Independent Third Party(ies)”	third party(ies) independent of and not connected with EIHL and EEH and their connected persons (as defined in the Listing Rules)
“Issue Price”	the issue price of each Consideration Share which was originally agreed to be HK\$ 4.11 per EIHL Share on 25 November 2010 but was subsequently revised to HK\$2.35 per Consideration Share on 13 December 2010
“Latest Practicable Date”	21 January 2011, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information for inclusion in this Composite Document
“Lavergem” or “Vendor”	Lavergem Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of EEH
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the voluntary conditional cash and securities exchange offer to be made by Emperor Capital on behalf of Worthly Strong to acquire all of the issued securities of EEH (other than those already owned or agreed to be acquired by the Offeror)
“Offeror”	Worthly Strong
“Overseas EEH Shareholders”	EEH Shareholders whose addresses as shown in the register of members of EEH at the close of business on the EEH Record Date are outside of Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document (unless otherwise specified), excludes Hong Kong, Macau and Taiwan
“Property”	an investment property situated in Yu Yuan, Shanghai, the PRC



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## DEFINITIONS

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“Registrar”	Tricor Secretaries Limited, the share registrar and transfer office of EIHL and EEH, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period beginning six months prior to the offer period (which commenced on 3 December 2010) and ending on and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser and the Vendor on 25 November 2010 in relation to the Transaction
“Sale Loan”	the shareholder’s loan due from Expert Pearl to Lavergem as at the date of Completion
“Sale Shares”	ten ordinary shares of US\$1.00 each of Expert Pearl, representing the entire issued capital of Expert Pearl
“Second Last Trading Date”	13 December 2010, being the last trading day prior to the suspension of trading in EEH Shares or EIHL Shares (as the case may be) pending the publication of the joint announcement of EIHL and EEH in relation to the revised terms of the Sale and Purchase Agreement, revised consideration of the Offer and revised ratio for the EEH Distribution and the EIHL Distribution on 15 December 2010
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Options”	the outstanding options with an exercise price of HK\$2.20, granted pursuant to the share option scheme adopted by EEH on 2 September 2002, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 13 December 2010 entered into between the Purchaser and the Vendor to revise certain terms of the Sale and Purchase Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the Transaction Agreement

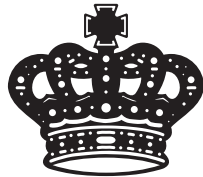
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## DEFINITIONS

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“Transaction Agreement”	the Sale and Purchase Agreement and the Supplemental Agreement
“U.S.” or “United States”	United States of America
“Worthy Strong”	Worthy Strong Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of EIHL
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the U.S.
“%”	per cent.

All time and date references contained in this Composite Document refer to Hong Kong time and date.



英皇融資有限公司  
Emperor Capital Limited

*To EEH Independent Shareholders*

24 January 2011

Dear Sir or Madam,

**INTRODUCTION**

On 3 December 2010, 15 December 2010 and 20 December 2010 EIHL and EEH jointly announced the Transaction, the EEH Distribution, the Offer and the EIHL Distribution as part of the corporate restructuring exercise of EIHL and EEH:

- (i) On 25 November 2010, Grand Chain (as Purchaser), an indirect wholly-owned subsidiary of EIHL entered into the Sale and Purchase Agreement with Lavergem (as Vendor), a direct wholly-owned subsidiary of EEH, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan at a consideration equivalent to the sum of the adjusted consolidated net asset value of Expert Pearl Group and the Sale Loan upon Completion;
- (ii) further on 13 December 2010, Grand Chain and Lavergem entered into the Supplemental Agreement to revise certain terms of the Sale and Purchase Agreement in relation to the Issue Price, number of Consideration Shares and the formula for the Consideration.
- (iii) on 15 December 2010, EIHL and EEH jointly announced the amendment of terms of the corporate restructuring exercise, pursuant to which after completion of the Transaction, EEH will be entitled to 452,391,094 Consideration Shares instead of 258,509,196 Consideration Shares. EEH now proposes to distribute in specie the Consideration Shares to the EEH Shareholders. The EEH Distribution will be on the basis of seven EIHL Shares for every twenty EEH Shares held by the EEH Shareholders whose names appear on the register of members of EEH on the EEH Record Date, which is after the close of the Offer;
- (iv) Worthy Strong, a wholly-owned subsidiary of EIHL, will make a voluntary conditional cash and securities exchange offer to acquire all the issued shares in the share capital of EEH (other than those shares already held by Worthy Strong and its Concert Parties);
- (v) EIHL proposes to distribute in specie 494,718,473 EIHL Shares to its shareholders in a ratio of one EIHL Share for every six EIHL Shares held by the EIHL Shareholders as at the EIHL Record Date; and

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## LETTER FROM EMPEROR CAPITAL

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- (vi) The Offer price was revised on 13 December 2010 from 0.75 EIHL Share and HK\$0.04 in cash to one EIHL Share and HK\$0.04 in cash for every EEH Share. The price for the Offer was increased so as to make the Offer more attractive to the EEH Shareholders.

This letter sets out, among other things, the details of the Offer and the intention of Worthly Strong regarding EEH Group. The terms of the Offer are set out in this letter, Appendix I and in the Form of Acceptance.

The EEH Independent Shareholders are strongly advised to consider carefully the information contained in the “Letter from the EEH Board”, the “Letter from the EEH Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document.

### THE OFFER

#### Principal Terms of the Offer

Emperor Capital, on behalf of Worthly Strong, will make a voluntary conditional cash and securities exchange offer to acquire all of the issued shares in the share capital of EEH (other than those shares already held by the Offeror and its Concert Parties). As at the Latest Practicable Date, the Offeror and its Concert Parties are interested in 743,227,815 EEH Shares, representing approximately 57.50% of the issued share capital of EEH.

#### Consideration of the Offer

The consideration in respect of the Offer is as follows:

For every EEH Share . . . . .one EIHL Share and HK\$0.04 in cash

The Offer values each EEH Share at HK\$1.98, based on the closing price of each EIHL Share of HK\$1.94 on the Second Last Trading Date plus the cash amount of HK\$0.04 being offered for each EEH Share. The offer value of HK\$1.98 (of which HK\$0.04 being the cash portion of the Offer which is equivalent to the EEH Cash Dividend) represents approximately 1.00% discount to the unaudited net asset value per EEH Share as at 30 September 2010 of HK\$2.00 as set out in the interim result announcement of EEH dated 24 November 2010 (based on 1,292,545,983 EEH Shares as at the Latest Practicable Date).

The consideration of the Offer was originally determined as 0.75 EIHL Share and HK\$0.04 in cash for every EEH Share. In order to increase the attractiveness of the Offer to the EEH Shareholders, the Offeror increases the price for the Offer to one EIHL Share and HK\$0.04 in cash for every EEH Share. The new consideration was determined by the Offeror after considering (i) the liquidity and historical performance of EIHL Shares and EEH Shares; (ii) the changes in the market price of EIHL Shares and EEH Shares after the announcement of the Offer on 3 December 2010; (iii) the share price of EIHL Shares of HK\$1.94 per share and EEH Shares of HK\$1.70 per share on the Second Last Trading Date; and (iv) the unaudited net asset value per EEH Share of approximately HK\$2.00 as at 30 September 2010.

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## LETTER FROM EMPEROR CAPITAL

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As at the Latest Practicable Date, there are 1,292,545,983 EEH Shares in issue, and outstanding Share Options which can be exercised into 10,000,000 EEH Shares at the exercise price of HK\$2.20 per EEH Share. Other than the above, EEH has no other convertible bonds, options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into EEH Shares. The Share Options were issued to Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa being directors of EEH. As Mr. Wong and Ms. Fan are also directors of EIHL, they are considered as Concert Parties. As such, no offer will be made to acquire the Share Options of Mr. Wong and Ms. Fan under the Offer. Ms. Fan and Mr. Wong have both irrevocably undertaken not to exercise their Share Options before the closing of the Offer.

### Comparisons of Value

Based on the closing price of the EIHL Share of HK\$1.94 as quoted on the Stock Exchange on 13 December 2010 (being the Second Last Trading Day), the Offer with an ascribed value of HK\$1.98 per EEH Share represents:

- (a) a premium of approximately 34.69% over the closing price of HK\$1.47 per EEH Share as quoted on the Stock Exchange on the First Last Trading Date;
- (b) a discount of approximately 1.00% to the unaudited net asset value per EEH Share as at 30 September 2010 of HK\$2.00;
- (c) a premium of approximately 16.47% over the closing price of HK\$1.70 per EEH Share, as quoted on the Stock Exchange on the Second Last Trading Date; and
- (d) a discount of approximately 0.50% to the closing price of HK\$1.99 per EEH Share, as quoted on the Stock Exchange on the Latest Practicable Date.

### Consideration for EEH Shares

Based on the ascribed value of HK\$1.98 per EEH Share and 549,318,168 EEH Shares in issue (representing the EEH Shares not already held by the Offeror and its Concert Parties) as at the Latest Practicable Date, the maximum value of the Offer for the EEH Shares (assuming no Share Options are exercised and the Offer is accepted in full and there is no change in the share capital of EEH) is approximately HK\$1,087,650,000. The maximum number of EIHL Shares that may be fall to be issued for the Offer is 549,318,168. The 549,318,168 EIHL Shares represent approximately 13.84% of the enlarged issued share capital of EIHL upon completion of the Transaction and the Offer assuming full acceptance by the EEH Shareholders.

The EIHL Shares under the Offer shall be issued pursuant to a specific mandate to be sought by the EIHL Directors at the EIHL SGM. No EIHL Shareholder is required to abstain from voting on the resolution approving the specific mandate. Charron, holding more than 50% in nominal value of the EIHL Shares giving the right to attend and vote at the EIHL SGM, has given an irrevocable undertaking to EIHL to vote in favour of the said resolution at the EIHL SGM. The EIHL Shares to be issued are credited as fully paid and rank pari passu in all respects with all other EIHL Shares in issue and with each other, except that such EIHL Shares will not be entitled to the EIHL Cash Dividend and the EIHL Distribution.

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## LETTER FROM EMPEROR CAPITAL

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### Condition of the Offer

The Offer will be conditional upon:

- (a) the Offer having been approved by the EIHL Shareholders or a written approval from the EIHL Shareholders holding more than 50% voting rights of EIHL in accordance with the Listing Rules;
- (b) the Stock Exchange granting the listing of and permission to deal in the EIHL Shares to be issued as consideration under the Offer; and
- (c) the Transaction Agreement becoming unconditional.

The Transaction Agreement is conditional upon, inter alia, the approval of the issue of the Consideration Shares under the Transaction and the EIHL Distribution by the EIHL Shareholders and the approval of the Transaction and the EEH Distribution by the EEH Shareholders.

Regarding condition (c) above, Charron, holding more than 50% in nominal value of the EIHL Shares giving the right to attend and vote at the EIHL SGM, has given an unconditional and irrevocable undertaking in favour of EIHL to vote at the EIHL SGM in favour of the resolution regarding the issue of the Consideration Shares under the Transaction and the EIHL Distribution.

Worthy Strong, holding more than 50% in nominal value of the EEH Shares giving the right to attend and vote at the EEH SGM, has also given an unconditional and irrevocable undertaking in favour of EEH to vote at the EEH SGM in favour of the resolution regarding the EEH Distribution.

Details of the Transaction, the EEH Distribution and the EIHL Distribution are set out in the circulars of EEH and EIHL dated 24 January 2011, which have been despatched to the EEH Shareholders and the EIHL Shareholders respectively. The EEH SGM and the EIHL SGM will both be held on 14 February 2011.

### Closing of the Offer

If the conditions to the Offer set out above are not satisfied on or before 14 February 2011, the Offer will lapse and the Offeror will not proceed with the Offer. The Transaction, the EEH Distribution and the EIHL Distribution will also lapse accordingly.

If the conditions to the Offer are duly fulfilled, in accordance with the Takeovers Code, the Offer will remain open for acceptance for a period of not less than 14 days after the Offer become unconditional.

### Confirmation of Financial Resources

The maximum amount of cash consideration to be paid to the EEH Independent Shareholders under the Offer (assuming no Share Options are exercised and the Offer is accepted in full and there is no change in the share capital of EEH) is approximately HK\$21,973,000. Emperor Capital has been appointed as the financial adviser to the Offeror in respect of the Offer and is making the Offer on behalf of the Offeror. As at the Latest Practicable Date, Emperor Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer. The Offeror will finance the Offer from the internal financial resources of EIHL Group.

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## LETTER FROM EMPEROR CAPITAL

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### **Effect of Accepting the Offer**

Acceptance of the Offer by any EEH Shareholder will be deemed to constitute a warranty by such person that all the EEH Shares to be sold by such person under the Offer will be free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the date of the Composite Document. For those EEH Independent Shareholders who accept the Offer, they will be selling their EEH Shares to the Offeror together with the right to the EEH Cash Dividend and the EIHL Shares under the EEH Distribution.

Acceptances of the Offer shall be irrevocable and once given cannot be withdrawn except in accordance with Rule 19.2 of the Takeovers Code. The Executive may require that the accepting EEH Independent Shareholders be granted a right of withdrawal, on terms acceptable to the Executive until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

### **Settlement of Consideration**

Settlement of the consideration will be made as soon as possible, but in any event within ten days of the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which receipt of a complete and valid acceptance form of the Offer with which relevant EEH Shares are duly tendered.

### **Public Float of EEH**

The directors of the Offeror and the EEH Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in EEH.

**The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the EEH Shares are held by the public, or if the Stock Exchange believes that:**

- (a) a false market exists or may exist in the trading of EEH Shares; or**
- (b) there are insufficient EEH Shares in public hands to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the EEH Shares.**

**Upon completion of the Offer, if the public float of EEH is below 25%, i.e. the minimum public float under the Listing Rules, trading in the EEH Shares may be suspended until a sufficient level of public float can be attained.**

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## LETTER FROM EMPEROR CAPITAL

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### **Reasons for the Offer and Benefits of the Offer for the EEH Independent Shareholders**

The Offeror is optimistic as to the business prospect of EEH Group after both EIHL and EEH rationalized their business as a result of the Transaction. The Offer allows EIHL Group to increase its stake in EEH. By issuing the new EIHL Shares as consideration for the Offer, EIHL Group will be able to increase its stake in EEH without committing capital, which can be used for the business development of EIHL Group. With the EEH Independent Shareholders becoming shareholders of EIHL upon the securities exchange under the Offer, the Offer will enlarge the capital base of EIHL and at the same time strengthen the investor profile and investor base of EIHL.

The trading volume ratio for 10-day average (10 days average daily trading volume to their respective total issued share capital) before the First Last Trading Day of EIHL is approximately 0.38% while EEH Shares was trading only at a volume ratio of 0.084%. The Offer provides an option for the EEH Independent Shareholders to exchange their EEH Shares for EIHL Shares, allowing the EEH Independent Shareholders to exchange their shareholdings to a company with higher liquidity in the share market, larger capital/shareholder base, a greater value in terms of market capitalization and more diversified projects. The EEH Independent Shareholders, if tender and allot with EIHL Shares, can extend their investment in EIHL and at the same time retain their investment participation in the Property which will be wholly-owned by EIHL Group after the Transaction as well as in EEH's gaming business through its shareholding in EIHL Group. When the existing EEH Independent Shareholders exchange their shareholdings to EIHL Shares, the share capital base of EIHL will be enlarged and the investor profile of EIHL will be strengthened.

### **INFORMATION ON THE OFFEROR**

Worthy Strong was incorporated in Hong Kong as a company with limited liability on 18 September 1990 and an indirect wholly-owned subsidiary of EIHL. Worthy Strong and its Concert Parties are interested in 743,227,815 EEH Shares as at the Latest Practicable Date.

The directors of the Offeror are Mr. Wong Chi Fai and Ms. Mok Fung Lin, Ivy. Mr. Wong and Ms. Mok are executive directors of both EEH and EIHL. The Offeror is an investment holding company and its sole asset was the shareholding interest in EEH.

EIHL was incorporated in Bermuda as an exempted company with limited liability on 30 August 1991. EIHL is listed on the Main Board of the Stock Exchange, trading under the stock code of 163. EIHL Group is principally engaged in property investment, property development and hotel and hotel related operations. EIHL is held as to 71.65% by Charron and its Concert Parties, and the entire issued share capital of Charron is held by Million Way Holdings Limited, which is wholly-owned by STC International Limited, the trustee of the AY Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert. Dr. Yeung, as founder of the trust, is deemed to be interested in the EIHL Shares held by Charron.

As at the Latest Practicable Date, the EIHL Board comprises Ms. Luk Siu Man, Semon (chairperson and non-executive director), Mr. Wong Chi Fai, Ms. Fan Man Seung, Vanessa, Mr. Cheung Ping Keung, Ms. Mok Fung Lin, Ivy as executive directors and Mr. Chan Man Hon, Eric, Mr. Liu Hing Hung and Mr. Law Ka Ming, Michael as independent non-executive directors.



## LETTER FROM EMPEROR CAPITAL

As at the Latest Practicable Date, there are 2,968,310,840 EIHL Shares in issue, and outstanding share options granted to Ms. Fan Man Seung, Vanessa, Mr. Wong Chi Fai, Mr. Cheung Ping Keung and Ms. Mok Fung Lin, Ivy which can be exercised into 37,500,000 EIHL Shares (20,000,000 of the share options are at the exercise price of HK\$1.88 per EIHL Share and the 17,500,000 share options are exercisable at HK\$2.91). Other than the above, EIHL has no other convertible bonds, options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into EIHL Shares.

### Acquisition of Asset during Offer Period

On 14 January 2011, Rise Wealth Enterprise Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser and Mr. Tang Yuen Fun and Mr. Tang Kee Fun, Independent Third Parties, as vendors entered into an agreement in relation to the acquisition of the property which is located at Ground Floor, No. 76 Percival Street, Hong Kong, at a consideration of HK\$380 million. Completion of the acquisition is expected to take place on or before 14 February 2011. The acquisition constitutes a discloseable transaction (as defined in the Listing Rules) of EIHL and details of which are set out in the announcement of EIHL dated 14 January 2011. The EIHL Directors consider that the acquisition is in the normal course of business of EIHL and as the size of the transaction is not material, the acquisition will have no impact on the Offer.

### Shareholding Structure of EIHL

Below is the group structure of EIHL after the issue of the Consideration Shares, the completion of the Offer, the EEH Distribution and the EIHL Distribution.

Shareholders	Prior to completion of the Offer		After completion of the Offer and upon issue of the Consideration Shares, the EEH Distribution and the EIHL Distribution			
	As of the Latest Practicable Date		(Assuming all public EEH Shareholders accept the Offer)		(Assuming no public EEH Shareholders accept the Offer)	
	No. of EIHL Shares held	%	No. of EIHL Shares held	%	No. of EIHL Shares held	%
Charron and its Concert Parties	2,126,847,364	71.65	2,481,321,925	61.84	2,481,321,925	67.88
Public EEH Shareholders who become EIHL Shareholders	-	-	549,318,168	13.69	192,261,359	5.26
Existing public EIHL Shareholders	841,463,476	28.35	981,707,388	24.47	981,707,388	26.86
<b>Total</b>	<b>2,968,310,840</b>	<b>100.00</b>	<b>4,012,347,481</b>	<b>100.00</b>	<b>3,655,290,672</b>	<b>100.00</b>

*Note:* The issue and allotment of the EIHL Shares under the EEH Distribution and the EIHL Distribution are all conditional upon the Transaction completes and they will be allotted only after the Offer closes. As such, the above tables do not include shareholding information after each of the Offer, the EEH Distribution and the EIHL Distribution.

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## LETTER FROM EMPEROR CAPITAL

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### **Offeror's Intention on EEH Group**

The Offeror is aware of the Transaction (which is expected to complete before the close of the Offer) and the EEH Cash Dividend and the EEH Distribution (which are expected to take place after the Offer) and the Offeror has given its consent to EEH to proceed with the same. It is the intention of the Offeror that EEH Group will continue its existing principal activities after the Transaction and the Offer complete. The Offeror has no intention to nominate new directors to the EEH Board. The Offeror does not intend to introduce any major changes to the existing operating and management structure of EEH Group (including any redeployment of the fixed assets of EEH Group, or to discontinue the employment of any employees of EEH Group) as a result of the Offer.

The Offer allows EIHL Group to increase its stake in EEH and the Offeror intends to hold EEH Shares as long term investment. The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions by EEH Group will be appropriate in order to enhance its growth. In the event that any of such opportunities arises, further announcements will be made as and when required by the Listing Rules. As at the date of this Composite Document, the Offeror has no intention or concrete plan for any acquisition of assets and/or business by EEH Group.

The Offeror intends that EEH will remain listed on the Stock Exchange after the close of the Offer. The Offeror does not avail itself of any power of compulsory acquisition of any EEH Shares after the close of the Offer.

### **FINANCIAL EFFECTS OF THE OFFER**

Immediately following completion of the Offer, EIHL Group will increase its stake in EEH. EEH will remain as a subsidiary of EIHL following completion of the Offer and the results of EEH will remain consolidated into the accounts of EIHL.

The following sets out the financial effects on EIHL Group as a result of the Offer (assuming all EEH Shares tendered under the Offer):

#### **Cash position**

As at 31 March 2010, EIHL Group had bank balances and cash of approximately HK\$892 million.

Taking into account the fact that the bank balances and cash will be reduced by up to a maximum of approximately HK\$22 million, being the maximum amount of cash required for payment of the cash portion of the consideration of the Offer, EIHL anticipates that the consolidated accounts of EIHL Group will have a negative effect on the bank balances and cash following completion of the Offer.

#### **Net asset value**

The audited consolidated net asset value attributable to the owners of EIHL was approximately HK\$8,999 million as at 31 March 2010. Upon completion of the Transaction, the EEH Distribution, the Offer and the EIHL Distribution and assuming that all public EEH Shareholders accept the Offer, the EIHL Directors expect that the consolidated net asset value attributable to the owners of EIHL will be

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## LETTER FROM EMPEROR CAPITAL

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increased by approximately HK\$1,058 million with the net asset value per EIHL Share of HK\$2.76 (based on 4,012,347,481 EIHL Shares in issue as enlarged by the issue of the Consideration Shares and the EIHL Shares for the Offer and the EIHL Distribution).

### **Profit after taxation**

As at 31 March 2010, the audited consolidated profit after taxation of EIHL and EEH was HK\$2,925 million and HK\$656 million respectively. As EEH has already been consolidated in previous EIHL's financial result, the EIHL Board anticipates that the completion of the Offer will have no material effect on profit after taxation of the consolidated accounts of the EIHL Group.

### **Business operation**

Upon completion of the Offer, there will be no material change in terms the nature of both EEH Group and EIHL Group business operations except that the Property will no longer be held by EEH Group. EEH Group will continue to provide entertainment and hospitality services in Macau, whereas EIHL Group will be engaged in the business of property investment, property development, hotel and hotel related operations and the development of the Property.

### **OVERSEAS EEH SHAREHOLDERS AND TAX IMPLICATIONS**

It is the responsibility of the Overseas EEH Shareholders who wish to accept the Offer and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The attention of the EEH Independent Shareholders with a registered address in jurisdiction outside Hong Kong is drawn to the section headed "Overseas holders of EEH Shares" in Appendix I to the Composite Document.

The Overseas EEH Shareholders will be responsible for the payment of any transfer or other taxes due by such overseas holders of EEH Shares in respect of their respective jurisdictions. None of the Offeror, EEH, Emperor Capital, the Registrar or any of their respective directors or any other parties involved in the Offer is in a position to advise the overseas holders of the EEH Shares on their individual tax implications. The EEH Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Offeror, EEH, the EEH Directors, the professional adviser(s) to EEH and the Offeror or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the relevant EEH Independent Shareholders.

### **ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the Form of Acceptance.

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## LETTER FROM EMPEROR CAPITAL

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### GENERAL

To ensure equality of treatment of all EEH Shareholders, those registered EEH Shareholders who hold EEH Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the EEH Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittance will be sent to the EEH Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, in case of joint holders whose name appear first in the said register of members, unless otherwise specified in the accompanying Forms of Acceptance completed, returned and received the by the Registrar. None of the Offeror, the Concert Parties of the Offeror, EIHL, Emperor Capital, Piper Jaffray, the Registrar or any of their respective directors, officers, associates, agents or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

**EEH Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation and implications of accepting the Offer in respect of their EEH Shares.**

### ADDITIONAL INFORMATION

EEH Independent Shareholders are advised to read carefully the “Letter from the EEH Independent Board Committee” and the “Letter from Independent Financial Adviser” as contained in this Composite Document before deciding whether or not to accept the Offer.

Your attention is also drawn to the further terms of the Offer, the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,  
For and on behalf of  
**Emperor Capital Limited**  
**Pearl Chan**  
*Director*

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LETTER FROM THE EEH BOARD

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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 296)

*Directors:*

Luk Siu Man, Semon<sup>#</sup> (Chairperson)

Wong Chi Fai<sup>+</sup>

Fan Man Seung, Vanessa<sup>+</sup>

Mok Fung Lin, Ivy<sup>+</sup>

Chan Sim Ling, Irene<sup>\*\*</sup>

Chan Wiling, Yvonne<sup>\*\*</sup>

Wan Choi Ha<sup>\*\*</sup>

<sup>+</sup> *Executive Director*

<sup>#</sup> *Non-executive Director*

<sup>\*\*</sup> *Independent Non-executive Director*

*Registered Office:*

Clarendon House,  
2 Church Street,  
Hamilton HM 11,  
Bermuda

*Principal Office:*

28th Floor,  
Emperor Group Centre,  
288 Hennessy Road,  
Wanchai,  
Hong Kong

24 January 2011

*To the EEH Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY  
EMPEROR CAPITAL ON BEHALF OF  
WORTHLY STRONG FOR ALL THE ISSUED SHARES  
IN EEH (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

References is made to the joint announcement of EEH and EIHL dated 3 December 2010, 15 December 2010 and 20 December 2010 in relation to, among other things, the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement dated 13 December 2010), the EEH Distribution, the Offer and the EIHL Distribution.

\* *for identification purposes only*

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## LETTER FROM THE EEH BOARD

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Emperor Capital, on behalf of Worthy Strong, will make a voluntary conditional cash and securities exchange offer to acquire all of the issued shares in the share capital of EEH (other than those shares already held by the Offeror and its Concert Parties). As at the Latest Practicable Date, the Offeror and its Concert Parties are interested in 743,227,815 EEH Shares, representing approximately 57.50% of the issued share capital of EEH.

The EEH Independent Board Committee comprising all the three non-executive EEH Directors (who have no direct or indirect interest in the Offer) has been established to make a recommendation to the EEH Independent Shareholders (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance. Piper Jaffray has been appointed to advise the EEH Independent Board Committee. According to Rule 2.8 of the Takeovers Code, an independent board committee should comprise of all the non-executive directors. However, Ms. Luk Siu Man, Semon, a non-executive director of EEH is the spouse of Dr. Yeung Sau Shing, Albert, who is the founder of the AY Trust, which is in turn indirectly interested in 71.65% of EIHL, the holding company of the Offeror. Given the deemed interests of Ms. Luk in EIHL and thus the Offeror, Ms. Luk may not be able to provide fair and impartial advice to the EEH Independent Shareholders in relation to the Offer and therefore did not sit on the EEH Independent Board Committee.

This Composite Document provides you with, among other things, information on and the procedures for acceptance and settlement of the Offer, the recommendation of the EEH Independent Board Committee and the advice of Piper Jaffray on the Offer, the financial information of EEH Group before and after the Offer, as well as other general information relating to EEH Group and EIHL Group.

### THE OFFER

The following information about the Offer is based on the letter from Emperor Capital contained in this Composite Document.

The Offer is being made by Emperor Capital on behalf of Worthy Strong on the following basis:

The consideration in respect of the Offer was originally 0.75 EIHL Share and HK\$0.04 in cash for every EEH Share, and it is now revised as follows:

For every EEH Share . . . . . one EIHL Share and HK\$0.04 in cash

The Offer values each EEH Share at HK\$1.98, based on the closing price of each EIHL Share of HK\$1.94 on the Second Last Trading Date plus the cash amount of HK\$0.04 being offered for each EEH Share. The HK\$0.04 cash portion is equivalent to the amount of the EEH Cash Dividend payable to the EEH Shareholders. The Offer value is (i) approximately 1.00% discount on the unaudited net asset value per EEH Share as at 30 September 2010 of HK\$2.00 as set out in the interim result announcement of EEH dated 24 November 2010 (based on 1,292,545,983 EEH Shares as at the Latest Practicable Date) and (ii) approximately 0.50% discount to the closing price of per EEH Share as quoted on the Stock Exchange on the Latest Practicable Date.

The consideration of the Offer was determined by the Offeror on the basis of the share price of EIHL Shares of HK\$1.94 per share and the EEH Shares of HK\$1.70 per share on the Second Last Trading Date.

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## LETTER FROM THE EEH BOARD

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### Further details of the Offer

Further details of the Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the letter from Emperor Capital contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

### SHAREHOLDING STRUCTURE OF EEH

Below is the group structure of EEH showing the effect of the issue of the Consideration Shares, the Offer, and the EEH Distribution.

Shareholders	Prior to completion of the Offer As of the Latest Practicable Date		After completion of the Offer and upon issue of the Consideration Shares and the EEH Distribution (Assuming all public EEH Shareholders accept the Offer and Worthy Strong places down its EEH shareholding to ensure that sufficient public float exists in EEH)	
	No. of EEH Shares held	%	No. of EEH Shares held	%
Worthy Strong	<u>743,227,815</u>	<u>57.50</u>	<u>969,409,487</u>	<u>75.00</u>
Subtotal of Worthy Strong and its Concert Parties	743,227,815	57.50	969,409,487	75.00
Public EEH Shareholders	<u>549,318,168</u>	<u>42.50</u>	<u>323,136,496</u>	<u>25.00</u>
Total	<u><u>1,292,545,983</u></u>	<u><u>100.00</u></u>	<u><u>1,292,545,983</u></u>	<u><u>100.00</u></u>

*Note:* The issue and allotment of the EIHL Shares under the EEH Distribution and the EIHL Distribution are all conditional upon the Transaction completes and they will be allotted only after the Offer closes. As such, the above tables do not include shareholding information after each of the Offer, the EEH Distribution and the EIHL Distribution.

### LITIGATION OF EEH

On 31 December 2010, EIHL and EEH announced that, Expert Pearl Group (being the subject of the Transaction Agreement) received a judgement (“Judgement”) on 28 December 2010 from the Shanghai No.2 Intermediate People’s Court, Shanghai, the PRC regarding the legal proceedings in relation to a joint venture agreement (“JV Agreement”) entered into between Expert Pearl Group and a joint venture partner (“JV Partner”), an Independent Third Party, in 2004 for developing the Property. Details of the JV Agreement, the litigation and the Judgement are set out under the section headed, “Litigation” is Appendix VII to this Composite Document.

On 5 January 2011, the EIHL Board and the EEH Board announced that, after consulting their respective professional advisers on the impact of the Judgement on the corporate restructuring exercise both boards considered that no amendment was required be made to the terms of the Transaction, the EEH Distribution, the Offer and the EIHL Distribution for the following reason:

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## LETTER FROM THE EEH BOARD

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Before the Judgement, Expert Pearl Group has assumed the legal obligation to settle the outstanding payments relating to the Property and all future development costs. The total construction cost of the Property is approximately HK\$1,223.6 million as set out in the valuation report of the Property. As a result of the Judgement, the JV Agreement shall continue to have effect. Expert Pearl Group is required to share half of the saleable area of the completed Property with the JV Partner and therefore reducing the value of the Property attributable to EEH Group. However, the JV Partner is required to contribute 100% of the construction costs (including settling an outstanding sum of HK\$172 million) before it can benefit from the completed Property. The EIHL Board and the EEH Board consider that although Expert Pearl Group can no longer enjoy 100% of the financial benefit from the completed Property, such economic loss is compensated by the gain attributable to the fact that Expert Pearl Group is not required to contribute any money towards the substantial construction costs and the risk of the counterclaim is removed. Balancing the effects of the aforesaid factors, the EEH Board considers the Judgement will have no material impact on the financial position and operation of Expert Pearl Group and therefore both EEH Board and EIHL Board consider that no amendment to the terms of the Transaction is required.

Expert Pearl Group has commenced the appeal procedure against the Judgement. The EEH Directors are of the view that the ultimate outcome of the case and the date of receiving the judgement on the appeal are not determinable at this stage. The EEH executive Directors estimated that it is possible to take two years for the appeal. The JV Partner also has the legal right to appeal against the Judgement.

Furthermore, on 20 December 2010, Emperor (Shanghai) Co., Ltd., a wholly-owned subsidiary of Expert Pearl, also issued a claim against a main contractor for the development of the Property for damages of RMB25 million pursuant to a construction contract in relation to the Property. Details of the construction contract and the litigation are set out under the section headed "Litigation" in Appendix VII to this Composite Document.

### OFFEROR'S INTENTION ON EEH GROUP

The attention of the EEH Independent Shareholders is drawn to the paragraph headed "Offeror's Intention on EEH Group" in the "Letter from Emperor Capital" contained in this Composite Document. The EEH Board has noted the intention of the Offeror in respect of EEH and will co-operate with and support to the Offeror from the smooth operation of the business of EEH Group.

### GENERAL

Pursuant to Rule 2.8 of the Takeovers Code, the EEH Independent Board Committee shall comprise all non-executive EEH Directors who have no direct or indirect interest in the Offer. Ms. Chan Sim Ling, Irene, Ms. Chan Wiling, Yvonne and Ms. Wan Choi Ha, being independent non-executive EEH Directors, have been appointed as members of the EEH Independent Board Committee for consideration of and making of recommendations to the EEH Independent Shareholders in respect of the terms of the Offer. Ms. Luk Siu Man, Semon has not been appointed as a member of the EEH Independent Board Committee as she has deemed interest in the Offer by virtue of being the spouse of Dr. Yeung Sau Shing, Albert who is the founder of the AY Trust which is in turn indirectly interested in 71.65% in EIHL, the holding company of the Offeror.

Piper Jaffray has been appointed as the independent financial adviser to advise the EEH Independent Board Committee and the EEH Independent Shareholders in respect of the Offer.



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## LETTER FROM THE EEH BOARD

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### RECOMMENDATION

The EEH Independent Shareholders are advised to read the recommendation of the EEH Independent Board Committee set out in the “Letter from the EEH Independent Board Committee” of this Composite Document and the advice of Piper Jaffray set out in the “Letter from the Independent Financial Adviser” of this Composite Document before deciding on the actions to be taken on the Offer.

### ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from Emperor Capital” contained in this Composite Document as well as the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance.

By Order of the Board  
**Emperor Entertainment Hotel Limited**  
**Luk Siu Man, Semon**  
*Chairperson*



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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 296)**

24 January 2011

*To the EEH Independent Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY  
EMPEROR CAPITAL ON BEHALF OF  
WORTHLY STRONG FOR ALL THE ISSUED SHARES  
IN EEH (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 24 January 2011 jointly issued by EIHL and EEH to the EEH Independent Shareholders (“Composite Document”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined elsewhere in the Composite Document unless the context otherwise requires.

We have been appointed by the EEH Board to consider the terms of the Offer and to advise the EEH Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the EEH Independent Shareholders are concerned and as to acceptances of the Offer.

Piper Jaffray has been appointed as the independent financial adviser to advise us in respect of the Offer. Your attention is drawn to the letter from Piper Jaffray set out in this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

Having taken into account the advice of Piper Jaffray, we consider that the terms of the Offer are not fair and reasonable so far as the EEH Independent Shareholders are concerned. Accordingly, we recommend the EEH Independent Shareholders not to accept the Offer.

Yours faithfully,

For and on behalf of the EEH Independent Board Committee

**Chan Sim Ling, Irene**

**Chan Wiling, Yvonne**

**Wan Choi Ha**

*Independent Non-executive Directors*

\* for identification purposes only

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## LETTER FROM PIPER JAFFRAY

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*The following is the letter of advice from Piper Jaffray to the EEH Independent Board Committee which has been prepared for the purpose of inclusion in the Composite Document.*

**Piper Jaffray**

Suite 1308, 13rd Floor  
Two Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

24 January 2011

*To: the EEH Independent Board Committee*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY  
EMPEROR CAPITAL LIMITED  
ON BEHALF OF WORTHLY STRONG INVESTMENT LIMITED  
FOR ALL THE ISSUED SHARES IN  
EMPEROR ENTERTAINMENT HOTEL LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY  
WORTHLY STRONG INVESTMENT LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the EEH Independent Board Committee in respect of the Offer, details of which are set out in the composite offer and response document jointly issued by the Offeror and the Company dated 24 January 2011 (the “**Composite Document**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless defined otherwise in this letter.

As at the Latest Practicable date, the EEH Board comprises three executive EEH Directors, one non-executive EEH Director and three independent non-executive EEH Directors. The EEH Independent Board Committee comprising all the three independent non-executive EEH Directors, namely Ms. Chan Sim Ling, Irene, Ms. Chan Wiling, Yvonne and Ms. Wan Choi Ha, has been established to advise the EEH Independent Shareholders in respect of the Offer. Ms. Luk Siu Man, Semon, a non-executive EEH Director, is not in the EEH Independent Board Committee as she is the spouse of Dr. Yeung Sau Shing, Albert, who is the founder of the AY Trust, which is in turn indirectly interested in 71.65% of EIHL, the holding company of the Offeror as at the Latest Practicable Date. The EEH Independent Board Committee has approved our appointment as the independent financial adviser to the EEH Independent Board Committee in connection with the Offer. In our capacity as the independent financial adviser of the EEH Independent Board Committee, our role is to provide an independent opinion to the EEH Independent Board Committee as to whether the Offer is fair and reasonable and whether the EEH Independent Shareholders should accept the Offer.

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## LETTER FROM PIPER JAFFRAY

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In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive EEH Directors and the management of EEH and executive EIHL Directors and management of EIHL and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects up to the Latest Practicable Date and EEH Shareholders will be notified by the EEH Directors and/or the Offeror of any material changes as soon as practicable if such material change arises after the despatch of the Composite Document and would affect our opinion. We have also sought and received confirmation from the EEH Directors and the management of EEH and the EIHL Directors and the management of EIHL that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have also discussed with the executive EEH Directors and the management of EEH and EIHL Directors and the management of EIHL regarding the business and prospects of EEH Group and EIHL Group. We have not, however, conducted any independent investigation into the business and affairs of EEH Group or EIHL Group or the Offeror or associates of any of them, nor have we carried out any independent verification of the information supplied.

In relation to the Offer, we have not considered the tax implications on the EEH Independent Shareholders of the acceptance or non-acceptance of the Offer since these are particular to their individual circumstances. In particular, the EEH Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

#### **1. Background leading to and the terms of the Offer**

Lavergem (as Vendor), a wholly-owned subsidiary of EEH and Grand Chain (as Purchaser), a wholly-owned subsidiary of EIHL entered into the Sale and Purchase Agreement dated 25 November 2010 and the Supplemental Agreement dated 13 December 2010 in respect of the Transaction to sell the Sale Loan and the Sale Shares which represents the entire issued share capital of Expert Pearl, the subsidiaries of which are interested in the Property, a development project for a shopping arcade in Shanghai. In addition, the EEH Board has proposed to recommend for approval by the EEH Shareholders at the EEH SGM, to the distribution in specie of the Consideration Shares entitled by EEH after Completion of the Transaction, to the EEH Shareholders. The EEH Distribution will be entitled by the EEH Shareholders whose names appear on the register of members of EEH on the EEH Record Date. The EEH Distribution is conditional upon Completion of the Transaction. Further details of the Transaction and the EEH Distribution were set out in the circular (“EEH Circular”) of EEH dated 24 January 2011.

As mentioned in the letter from the EEH Board, Emperor Capital, on behalf of the Offeror will make a voluntary conditional cash and securities exchange offer to acquire all of the issued shares in the share capital of EEH (other than those EEH Shares already owned by or agreed to be acquired by the

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Offeror and parties acting in concert with it). According to the announcement dated 3 December 2010 (“**Announcement**”), the consideration in respect of the Offer (“**Initial Offer Price**”) was 0.75 new EIHL Shares and HK\$0.04 in cash per EEH Share. According to the announcement dated 15 December 2010 (“**Supplemental Announcement**”), the consideration in respect of the Offer (“**Revised Offer Price**”) has been revised to 1 new EIHL Shares and HK\$0.04 in cash per EEH Share. The Offer will be conditional upon:

- (a) the Offer having been approved by the EIHL Shareholders or a written approval from the EIHL Shareholders holding more than 50% voting rights of EIHL in accordance with the Listing Rules;
- (b) the Stock Exchange granting the listing of and permission to deal in the EIHL Shares to be issued as consideration under the Offer; and
- (c) the Transaction Agreement becoming unconditional.

Further terms and conditions of the Offer, including the procedure for acceptance, are set out in the section headed “Procedures for acceptance” in Appendix I to the Composite Document.

### 2. Information on EEH Group

EEH Group has been engaging in the provision of entertainment and hospitality services in Macau and development of the Property. Following completion of the Transaction, EEH will no longer need to further devote substantial capital for the development of the Property which is still under construction and will put more focus on its existing business segments of gaming operation and the hotel operation in Macau and exploring new potential business.

#### 2.1 Financial information of EEH Group

The principal business of EEH Group will be the provision of entertainment and hospitality services in Macau immediately after the Completion of the Transaction. In this connection, we have extracted the segment information in relation to the EEH Group’s operation in (i) the gaming operation; and (ii) the hotel operation from the financial information of the EEH Group from the respective interim report and annual reports of EEH Group as follows:

	<b>For the six months ended 30 September 2010</b>	<b>For the year ended 31 March</b>	
	<i>HK\$’000</i>	<b>2010</b>	<b>2009</b>
	(unaudited)	<i>HK\$’000</i> (audited)	<i>HK\$’000</i> (audited)
Revenue (external)	618,143	990,204	791,456
Segment profit based on the adjusted EBITDA	269,596	436,093	295,536

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As mentioned in EEH's annual reports for the years ended 31 March 2010 and 31 March 2009 and interim report for the six months ended 30 September 2010, EEH Group's results from its hotel and gaming operations in Macau had a set-back in 2009 compared to 2008 mainly due to the global credit crunch and weakening economy that had hampered the growth of gaming industry in Macau. EEH Group's results from its hotel and gaming operations in Macau has improved for the year ended 31 March 2010 compared to 2009 mainly due to the gaming industry in Macau saw sustaining growth and various actions taken by the Group to make an adjustment to its gaming operation so as to optimally position itself in the industry, such as: tightened its corporate policy in credit control to limit the risk of bad debt despite the high profitability of VIP rooms, strategically focused more on the less competitive mass market and steps to enhance customer satisfaction. For the six months ended 30 September 2010, despite the uncertainties overshadowing the general gaming industry in Macau with speculation about the PRC government taking action against the burgeoning gaming industry in early 2010, the gaming sector in Macau has expanded aggressively with total revenue growth of over 50% for the 6 months period, comparing the same period last year.

### **3. Information on the Offeror**

Worthly Strong was incorporated in Hong Kong as a company with limited liability and an indirect wholly-owned subsidiary of EIHL. Worthly Strong and its Concert Parties are interested in 743,227,815 EEH Shares as at the Latest Practicable Date. The directors of the Offeror are Mr. Wong Chi Fai and Ms. Mok Fung Lin, Ivy. Mr. Wong and Ms. Mok are executive directors of both EEH and EIHL. The Offeror is an investment holding company and its sole asset was the shareholding interest in EEH.

EIHL was incorporated in Bermuda as an exempted company with limited liability and is held as to 71.65% by Charron and its Concert Parties, and the entire issued share capital of Charron is held by Million Way Holdings Limited, which is wholly-owned by STC International Limited, the trustee of the AY Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert. Dr. Yeung, as founder of the trust, is deemed to be interested in the EIHL Shares held by Charron. EIHL Group is principally engaged in property investment, property development and hotel and hotel related operations.

Following Completion of the Transaction, EIHL Group will also be engaged in the development of the Property. The Property is located in Yu Yuan, Shanghai and it is under development. The property will be developed into a shopping arcade and hotel/service apartment complex on a 246,200 square feet prime site. The main body of the complex will be a multi-storey shopping arcade, and the entire project is expected to have a total gross area of 1,298,500 square feet. A new Shanghai M10 subway route will be adjacent to the subject site. As mentioned in the paragraph "Litigation" in Appendix VII "General Information of EEH Group" to the Composite Document, in October 2006, Expert Pearl Group has commenced legal proceedings against the JV Partner as the JV Partner had failed to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. Expert Pearl Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the project and requires the JV Partner to settle the outstanding payment construction costs. The JV Partner contested the proceedings and alleging that Expert Pearl Group deliberately delayed the progress of the development and not cooperating with the JV Partner, and counterclaimed against Expert Pearl Group damages for breach of the JV Agreement. On 28 December 2010, Expert Pearl Group received the judgement (the "Judgement") dated 28 December 2010 from the Shanghai No.2 Intermediate People's Court, Shanghai,

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the PRC regarding the legal proceedings mentioned above under which (i) Expert Pearl Group's request for termination of the JV Agreement and the claims for forfeiture and payments mentioned above were not granted, and the JV Agreement shall continue to have effect; and (ii) the counterclaim of the JV Partner was also rejected. As a result of the Judgement, the JV Agreement shall continue to have effect; Expert Pearl Group is required to share half of the saleable area of the completed Property with the JV Partner and therefore reducing the value of the Property attributable to EEH Group. However, the JV Partner is required to contribute 100% of the construction costs before it can benefit from the completed Property. Under the Judgement, Expert Pearl Group is not liable to pay the JV Partner any damages and vice versa.

The EIHL Board and the EEH Board consider that although Expert Pearl Group can no longer enjoy 100% of the financial benefit from the completed Property, such economic loss is compensated by the gain attributable to the fact that Expert Pearl Group is not required to contribute any money towards the substantial construction costs and the risk of the counterclaim is removed. Balancing the effects of the aforesaid factors, the EEH Board considers the Judgement will have no material impact on the financial position and operation of Expert Pearl Group.

Expert Pearl Group has commenced the appeal procedure against the Judgement. The EEH Directors are of the view that the ultimate outcome of the case and the date of receiving the judgement on the appeal are not determinable at this stage. The EEH executive Directors estimated that it is possible to take two years for the appeal. The JV Partner also has the legal right to appeal against the Judgement. Details of the above legal proceedings are set out in the paragraph "Litigation" in Appendix VII "General Information of EEH Group" to the Composite Document. We wish to bring to the attention of the EEH Independent Shareholders that, as mentioned in the letter from the EEH Board in the circular of EEH dated 24 January 2011, the continuation of the project is depending on the outcome of the aforesaid litigation and that the ultimate outcome of the case and the date of receiving the judgement on the appeal cannot be determined by the EEH Directors as at the Latest Practicable Date. Based on the above, we are of the view that the continuation of the development of the Property and the timetable of such development is not determinable given the uncertain ultimate outcome of the aforesaid litigation.

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### 3.1 Financial information of EIHL Group

The principal business of EIHL Group is property investment, property development and hotel and hotel related operation. In this connection, we have extracted below the financial information of the EIHL Group as extracted from EIHL's respective interim report and annual reports:

	<b>For the six months ended 30 September 2010</b>	<b>For the year ended 31 March</b>	
	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Revenue	833,870	1,449,773	348,170
Net profit (loss) before tax	1,349,138	3,334,910	(1,683,331)
Net profit (loss) attributable to equity holders of EIHL	997,244	2,798,005	(1,536,985)

As mentioned in EIHL's annual reports for the years ended 31 March 2010 and 31 March 2009 and interim report for the six months ended 30 September 2010, the EIHL Group's results has a set-back in 2009 compared to 2008 mainly due to the property market had been encumbered by the global economic downturn, rising unemployment and market uncertainties, and EIHL Group did not sell any property during the year, versus sales revenue of HK\$1,487.2 million in 2008. In addition, EIHL Group recorded a loss of HK\$1,586.1 million from fair value change of its investment properties for the year ended 31 March 2009 compared to a gain of HK\$743.9 million for the corresponding period in 2008. The improvement in EIHL Group's results for the year ended 31 March 2010 compared to 2009 was mainly due to: (a) the successful sale of 98% residential properties for a commercial/residential composite development project in Xiamen which generated revenue from property sales of HK\$423.1 million (2009: nil); (b) increase in revenue generated from hotel and hotel related operations by approximately HK\$634.4 million mainly due to the results of EEH Group was consolidated into EIHL Group upon EIHL Group's equity interest in EEH increased from approximately 43.43% to 55.74% in August 2009; and (c) EIHL Group recorded a gain of HK\$2,460.5 million from fair value change of its investment properties for the year ended 31 March 2010 compared to a gain of HK\$1,586.1 million for the corresponding period in 2009. For the six months ended 30 September 2010, attributable to the steady growth of rental income contributed by EIHL Group's high-quality investment property portfolio and significant increase of income from self-run hotels, EIHL Group reported total revenue of approximately HK\$833.9 million during the period, representing an increase of 30.6% over the corresponding period in previous year.



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#### 4. Prospect of EIHL Group and EEH Group

EIHL Group has been principally engaged in property investment and development and hotel and hotel related operation. As mentioned in the "Financial and Trading Prospect of EIHL Group" in the Financial Information of EIHL Group set out in the Composite Document, the EIHL Board believes that the market momentum is expected to continue in year 2011 despite continuing challenges in the local market. In the long-run, the local government's measures to fine-tune the land supply arrangements and to stabilise property prices are expected to facilitate the healthy development of the property market. Underlying demand from end-users and investors will continue to lend solid support to both property transactions and prices, particularly in the segment for luxurious residential properties and prime retail locations. Meanwhile, the tightening policy initiated by the PRC government to regulate property prices will enable the mainland property market to grow steadily on a healthier track. In light of the increasing number of mainland visitors over the years, EIHL Group will enjoy the benefit from the rising rental in prime shopping district area. EIHL Group will continue to upgrade and expand its leasing property portfolio with quality projects as well as optimise the tenant mix in order to achieve growth and higher yields from rental income. Riding on the rising market demand on luxury residential units, EIHL Group will dedicate to secure a steady return rate from the sale of residential property development. EIHL Group will closely monitor the market conditions and government measures and react to take advantage of the marketing windows. EIHL Group will continue to be cautious in seeking investment opportunities to enhance its shareholders' return, diversify its business and property portfolio and strengthen its income base. With EIHL Group's excellent market insights backed by the strong team, it strives to be a key property player in Greater China.

As mentioned in the EEH Circular, the Transaction would rationalize the business line of both EIHL Group and EEH Group. EIHL Group, with its business in property investment and development, is more financially viable in developing the Property. The Transaction allows EIHL Group to enlarge its investment property portfolio and at the same time will strengthen the operation of both EIHL Group and EEH Group as the rationalization of the business will lead to reallocation of financial resources and management efforts on each clear business line. As mentioned in the section headed "Information of the Offeror" in this letter, we wish to bring to the attention of the EEH Independent Shareholders that, as mentioned in the letter from the EEH Board in the circular of EEH dated 24 January 2011, the continuation of the project is depending on the outcome of the litigation and that the ultimate outcome of the case and the date of receiving the judgement on the appeal cannot be determined by the EEH Directors as at the Latest Practicable Date. Based on the above, we are of the view that the continuation of the development of the Property and the timetable of such development is not determinable given the uncertain ultimate outcome of the litigation. However, we concur with the EEH Board's view that the Judgement will have no material impact on the financial and operation of Expert Pearl Group since although Expert Pearl Group can no longer enjoy 100% of the financial benefit from the completed Property, such economic loss is compensated by the gain attributable to the fact that Expert Pearl Group is not required to contribute any money towards the substantial construction costs and the risk of the counterclaim is removed. Accordingly, we consider that the Transaction and the litigation should have no material impact to the prospect and outlook of EIHL before the completion of the Transaction.

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EEH Group has been principally engaged in the provision of entertainment and hospitality services in Macau. As mentioned in the “Financial and Trading Prospect of EEH Group” in the Financial Information of EEH Group set out in the Composite Document, following the disposal of Expert Pearl Group, EEH Group can then be more focused on its provision of entertainment and hospitality services in Macau. With the rapid expansion of China’s economy, the levels of tourism and income per capita will be the key drivers of the gaming industry in Macau. In light of the various large-scale infrastructure and transportation projects including ferry terminal and rail transit carried out by the Macau Government, it is expected that the number of visitors will continue to grow in the coming years and thus providing a positive impact on the revenue of EEH Group. EEH Group is ready to capitalise on the huge market potential. Leveraging the prestigious reputation of “Emperor” among Chinese communities, EEH Group will strengthen its marketing efforts, implement effective management strategies, and enhance its operating efficiencies to boost its market share. Looking forwards, EEH Group will strengthen its existing operations and enhancing cost efficiency, and look for new business opportunities and investments so as to diversify its business and strengthen its income base.

### **5. Intentions of the Offeror**

As stated in the Letter from Emperor Capital, the Offeror is aware of the Transaction (which is expected to complete before the close of the Offer) and the EEH Cash Dividend and the EEH Distribution (which are expected to take place after the Offer) and the Offeror has given its consent to EEH to proceed with the same. It is the intention of the Offeror that EEH Group will continue its existing principal activities after the Transaction completes. The Offeror has no intention to nominate new directors to the EEH Board. The Offeror does not intend to introduce any major changes to the existing operating and management structure of EEH Group, or to discontinue the employment of any employees of the EEH Group, as a result of the Offer. The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions by EEH Group will be appropriate in order to enhance its growth. In the event that any of such opportunities materialises, further announcements will be made as and when required by the Listing Rules. As at the Latest Practicable Date, the Offeror has no intention or concrete plan for any acquisition of assets and/or business by EEH Group.

### **6. Reasons for the Offer and benefits of the Offer for the EEH Independent Shareholders**

The Offeror is optimistic as to the business prospect of EEH Group after both EIHL and EEH rationalized their business as a result of the Transaction. The Offer allows EIHL Group to increase its stake in EEH. With the EEH Shareholders becoming shareholders of EIHL upon the securities exchange under the Offer, the Offer will enlarge the capital base of EIHL and at the same time strengthen the investor profile and investor base of EIHL.

The Offer provides an option for the EEH Shareholders to exchange their EEH Shares for EIHL Shares, allowing the EEH Shareholders to exchange their shareholdings to a company with relatively higher liquidity in the share market (analysis set out under section 7.3 “Liquidity of the Shares below”), larger capital/shareholder base, a greater value in terms of market capitalization and more diversified projects. The EEH Shareholders, if tender and allotted with EIHL Shares, can extend their investment in EIHL and at the same time retain their investment participation in the Property which will be wholly-owned by EIHL after the Transaction as well as in EEH’s gaming business through its shareholding in EIHL. When the existing EEH Shareholders exchange their shareholdings to EIHL Shares, the share capital base of EIHL will be enlarged and the investor profile of EIHL will be strengthened.

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Based on the above and taking into account the financial and operational results and future prospects of both EIHL Group and EEH Group, we consider that the Offer can enable the EEH Shareholders to invest in the property investment and development and hotel and hotel related operation business engaged by EIHL Group and enjoy its stronger earning returns generated from a business with more diversified projects whilst retaining its exposure in the business of EEH Group, via EEH Shareholders' direct interests in EIHL Group. As set out in the "Letter from Emperor Capital" of this Composite Document, for illustration purpose, after completion of the Offer and upon issue of the Consideration Shares and the EEH Distribution and EIHL Distribution, the existing public EEH Shareholders shall be interested in approximately 13.69% in EIHL. Assuming all public EEH Shareholders accept the Offer and Worthly Strong places down its interests in EEH to 75% to ensure sufficient public float exists in EEH, EEH Shareholders will be effectively interested in approximately 10.27% of the enlarged issued share capital of EEH, via their direct interest in EIHL.

### 7. Comparison with historical EEH Share prices and analysis of liquidity of the EEH Shares and the EIHL Shares

#### 7.1 Historical EEH Share prices performance

The implied share value of the Initial Offer Price (the "**Initial First LTD Implied Offer Price**") was HK\$1.585, which was determined based on the closing price of EIHL Share of HK\$2.06 on the First Last Trading Date multiplied by 0.75 EIHL Share being offered for each EEH Share, plus the cash amount of HK\$0.04 being offered for each EEH Share. The implied share value of the Revised Offer Price (the "**Revised Second LTD Implied Offer Price**") was HK\$1.98, which was determined based on the closing price of EIHL Share of HK\$1.94 on the Second Last Trading Date plus the cash amount of HK\$0.04 being offered for each EEH Share.

Set out below is the closing prices of the EEH Shares and the EIHL Shares traded on the Stock Exchange starting from 25 November 2009 (12 month preceding the First Last Trading Date) up to and including the First Last Trading Date (the "**Pre-Announcement Period**") and during the period from 6 December 2010, being the first trading day of EEH Shares after publication of the Announcement, up to and including the Latest Practicable Date (the "**Post-Announcement Period**"), together with the Pre-Announcement Period, the "**Review Period**").

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### *Historical Share Price and Trading Volume of EEH*



Source: Website of the Stock Exchange

### *Share prices performance of EEH Share*

As shown in the chart above, the closing prices of EEH Share were below the Initial First LTD Implied Offer Price throughout the Pre-Announcement Period. The highest and lowest closing prices of EEH Share during the Pre-Announcement Period were HK\$1.52 on 10 November 2010 and HK\$0.85 on 27 November 2009 respectively. We note that the Initial First LTD Implied Offer Price represents a premium of approximately 86.5% over the lowest closing prices of EEH Share and a premium of approximately 4.3% over the highest closing prices of EEH Share during the Pre-Announcement Period. On 24 November 2010, EEH and EIHL requested suspension in the trading in EEH Shares and EIHL Shares pending the release of the Announcement. On 3 December 2010, the Announcement in relation to, among others, the Transaction, the EEH Distribution and the Offer was published and the trading in EEH Shares and EIHL Shares was resumed.

During the period from 6 December 2010, being the first trading day of EEH Shares after publication of the Announcement, to 13 December 2010, being the Second Last Trading Date, the closing prices of EEH Share were above the Initial First LTD Implied Offer Price with the highest and lowest closing prices of EEH Share during the period of HK\$1.72 on 12 November 2010 and HK\$1.64 on 9 December 2010 respectively. On 14 December 2010, EEH and EIHL requested suspension in the trading in EEH Shares and EIHL Shares pending the release of the Supplemental Announcement. On 15 December 2010, the Supplemental Announcement in relation to, among others, the Transaction, the EEH Distribution and the Offer was published and the trading in EEH Shares and EIHL Shares was resumed. Since the publication of the Announcement, the closing price of EEH Share has substantially increased from HK\$1.47 on the First Last Trading Date to HK\$1.72 on 6 December 2010 (the first trading day of EEH Shares after publication of the Announcement), and remained above the Initial First LTD Implied Offer Price up to the Second Last Trading

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Date. Since the publication of the Announcement, the closing price of EIHL Share has decreased from HK\$2.06 on the First Last Trading Date to HK\$1.88 on 6 December 2010 (the first trading day of EEH Shares after publication of the Announcement). As mentioned in the Supplemental Announcement, subsequent to the issue of the Announcement, the EIHL Board notices the above changes in the share price of EIHL Shares and EEH Shares and considers to increase the price for the Offer to the Revised Offer Price of 1 new EIHL Shares and HK\$0.04 in cash per EEH Share so as to make the Offer more attractive to the EEH Shareholders.

During the period from 15 December 2010, being the first trading day of EEH Shares after publication of the Supplemental Announcement, to the Latest Practicable Date (both dates inclusive) (the “**Post-Supplemental Announcement Period**”), the closing prices of EEH Share were above the Revised Second LTD Implied Offer Price of HK\$1.98, on 5, 10, 11, 12, 13, 14, 19, 20 and 21 January 2011 respectively. The highest and lowest closing prices of EEH Share during the Post-Supplemental Announcement Period were HK\$2.07 on 11 January 2011 and 12 January 2011 and HK\$1.75 on 3 January 2011 respectively.

Based on the closing price of EIHL Share of HK\$1.68 as at the Latest Practicable Date for determining the Offer price, the implied share value of the Offer (the “**LPD Implied Offer Price**”) was HK\$1.72, which was determined based on the closing price of EIHL Share of HK\$1.68 on the Latest Practicable Date plus the cash amount of HK\$0.04 being offered for each EEH Share. The LPD Implied Offer Price of approximately HK\$1.72 represents a discount of 13.57% to the closing price of EEH Share of HK\$1.99 as at the Latest Practicable Date.

Given the fact that the Offer consideration is determined partially by the price of the EIHL Share, which is subject to price fluctuation during the Offer period, the EEH Shareholders should note that the amount of the Offer consideration under the Offer would change accordingly from time to time, and it is uncertain whether the market price of the EEH Shares and/or the EIHL Shares would rise or fall and whether the Offer consideration under the Offer would represent a discount or a premium to the market price of the EEH Shares during the Offer Period.

Based on the closing price of EIHL Share and EEH Share as at the Latest Practicable Date, a sensitivity analysis on the premium/discount of the LPD Implied Offer Price over/to the closing price of EEH Share as at the Latest Practicable Date has been prepared as below:

<b>Premium(Discount) of the LPD Implied Offer Price over/to the closing price of EEH Share as at the Latest Practicable Date</b>	<b>Closing price of EIHL Share</b>			
	<i>Closing price of EEH Share</i>	Increase by 10%	As at LPD	Decrease by 10%
Increase by 10%		(13.75%)	(21.43%)	(29.10%)
As at LPD		(5.13%)	(13.57%)	(22.01%)
Decrease by 10%		5.42%	(3.96%)	(13.34%)

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## LETTER FROM PIPER JAFFRAY

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### 7.2 Compare the Offer Price with historical Share prices

The Initial First LTD Implied Offer Price of HK\$1.585 per EEH Share represents:

- (i) a premium of approximately 7.82% over the closing price of HK\$1.47 per EEH Share on the First Last Trading Date;
- (ii) a premium of approximately 10.38%, 10.61% and 13.62% over the average closing price of approximately HK\$1.436, HK\$1.433 and HK\$1.395 per EEH Share for the 5 trading days, 10 trading days and 30 trading days immediately prior to and including the First Last Trading Date respectively;
- (iii) a discount of approximately 20.75% to the consolidated net asset value of the EEH Group as at 30 September 2010 of approximately HK\$2.00 per EEH Share; and
- (iv) a premium of approximately 22.02% over the estimated net asset value of the EEH Group after the Transaction and the EEH Distribution (“**Remaining EEH Group**”) of approximately HK\$1.299 per EEH Share (based on the net assets value of the EEH Group of approximately HK\$2,587.6 million as at 30 September 2010 as extracted from the interim report of the EEH Group, as adjusted for the decrease in net assets value of EEH Group of HK\$909.2 million as a result of the Transaction and the EEH Distribution as set out in the section headed “Financial effect of the Transaction and use of proceeds” in the letter from the EEH Board of the circular of EEH dated 24 January 2011 and 1,292,545,983 EEH Shares in issue as at the Latest Practicable Date).

The Revised Second LTD Implied Offer Price of HK\$1.98 per EEH Share represents:

- (i) a premium of approximately 34.69% over the closing price of HK\$1.47 per EEH Share on the First Last Trading Date;
- (ii) a premium of approximately 37.88%, 38.17% and 41.94% over the average closing price of approximately HK\$1.436, HK\$1.433 and HK\$1.395 per EEH Share for the 5 trading days, 10 trading days and 30 trading days immediately prior to and including the First Last Trading Date respectively;
- (iii) a premium of approximately 16.47% over the closing price of HK\$1.7 per EEH Share on 3 December 2010, being the Second Last Trading Date;
- (iv) a discount of 0.50% to the closing price of HK\$1.99 per EEH Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 1% to the consolidated net asset value of the EEH Group as at 30 September 2010 of approximately HK\$2.00 per EEH Share; and

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- (vi) a premium of approximately 52.42% over the estimated net asset value of the Remaining EEH Group of approximately HK\$1.299 per EEH Share (based on the net assets value of the EEH Group of approximately HK\$2,587.6 million as at 30 September 2010 as extracted from the interim report of the EEH Group, as adjusted for the decrease in net assets value of EEH Group of HK\$909.2 million as a result of the Transaction and the EEH Distribution as set out in the section headed “Financial effect of the Transaction and use of proceeds” in the letter from the EEH Board of the circular of EEH dated 24 January 2011 and 1,292,545,983 EEH Shares in issue as at the Latest Practicable Date).

The LPD Implied Offer Price of HK\$1.72 per EEH Share represents:

- (i) a premium of approximately 17.01% over the closing price of HK\$1.47 per EEH Share on the First Last Trading Date;
- (ii) a premium of approximately 19.78%, 20.03% and 23.30% over the average closing price of approximately HK\$1.436, HK\$1.433 and HK\$1.395 per EEH Share for the 5 trading days, 10 trading days and 30 trading days immediately prior to and including the First Last Trading Date respectively;
- (iii) a premium of approximately 1.18% over the closing price of HK\$1.7 per EEH Share on 3 December 2010, being the Second Last Trading Date;
- (iv) a discount of approximately 13.57% to the closing price of HK\$1.99 per EEH Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of 14.00% to the consolidated net asset value of the EEH Group as at 30 September 2010 of approximately HK\$2.00 per EEH Share; and
- (vi) a premium of approximately 32.41% over the estimated net asset value of the Remaining EEH Group of approximately HK\$1.299 per EEH Share (based on the net assets value of the EEH Group of approximately HK\$2,587.6 million as at 30 September 2010 as extracted from the interim report of the EEH Group, as adjusted for the decrease in net assets value of EEH Group of HK\$909.2 million as a result of the Transaction and the EEH Distribution as set out in the section headed “Financial effect of the Transaction and use of proceeds” in the letter from the EEH Board of the circular of EEH dated 24 January 2011 and 1,292,545,983 EEH Shares in issue as at the Latest Practicable Date).

Based on the above, given that (i) the closing prices of EEH Share has increase significantly since the publication of the Announcement and were above the Revised Second LTD Implied Offer Price most of the time in January 2011; and (ii) the LPD Implied Offer Price represents a discount of 13.57% to the closing price of EEH Share as at the Latest Practicable Date, we are of the view that the Offer Price is not fair and reasonable.

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## LETTER FROM PIPER JAFFRAY

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### 7.3 Liquidity of the Shares

The following table sets out the trading volume of the EEH Shares during the Review Period:

	Total trading volume for the month/period	Average daily trading volume for the month/period <i>(Note 1)</i>	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date <i>(Note 2)</i>	Percentage of average daily trading volume to total number of Shares held by public EEH Shareholders as at the Latest Practicable Date <i>(Note 3)</i>
<b>2009</b>				
November (start from 25th)	3,425,400	856,350	0.07%	0.16%
December	13,558,053	616,275	0.05%	0.11%
<b>2010</b>				
January	29,170,157	1,458,508	0.11%	0.27%
February	5,539,992	307,777	0.02%	0.06%
March	11,668,590	507,330	0.04%	0.09%
April	9,565,965	503,472	0.04%	0.09%
May	10,585,596	529,280	0.04%	0.10%
June	12,771,276	608,156	0.05%	0.11%
July	6,868,185	327,056	0.03%	0.06%
August	6,254,428	284,292	0.02%	0.05%
September	10,906,532	519,359	0.04%	0.09%
October	27,861,986	1,393,099	0.11%	0.25%
November (up to 24th)	28,077,108	1,559,839	0.12%	0.28%
December (6th to 13th)	30,937,000	5,156,167	0.40%	0.94%
December (15th to 28th)	16,737,960	1,859,773	0.14%	0.34%
<b>2011</b>				
January (3rd to 21st)	34,652,518	2,310,168	0.18%	0.42%

Source: Website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the EEH Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 1,292,545,983 EEH Shares in issue as at the Latest Practicable Date.
3. Based on 549,318,168 EEH Shares held by public EEH Shareholders as at the Latest Practicable Date.



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## LETTER FROM PIPER JAFFRAY

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The following table sets out the trading volume of the EIHL Shares during the Review Period:

	Total trading volume for the month/period	Average daily trading volume for the month/period <i>(Note 1)</i>	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date <i>(Note 2)</i>	Percentage of average daily trading volume to total number of Shares held by public EIHL Shareholders as at the Latest Practicable Date <i>(Note 3)</i>
<b>2009</b>				
November (from 25th)	11,021,998	2,755,500	0.09%	0.33%
December	41,597,122	1,890,778	0.06%	0.22%
<b>2010</b>				
January	19,834,218	991,711	0.03%	0.12%
February	8,242,092	457,894	0.02%	0.05%
March	16,857,372	732,929	0.02%	0.09%
April	11,694,648	615,508	0.02%	0.07%
May	22,407,994	1,120,400	0.04%	0.13%
June	16,554,493	788,309	0.03%	0.09%
July	67,428,490	3,210,880	0.11%	0.38%
August	46,777,188	2,126,236	0.07%	0.25%
September	24,522,198	1,167,724	0.04%	0.14%
October	34,623,607	1,731,180	0.06%	0.21%
November (up to 24th)	223,021,612	12,390,090	0.42%	1.47%
December (6th to 13th)	72,991,260	12,165,210	0.41%	1.45%
December (15th to 28th)	21,556,000	2,395,111	0.08%	0.28%
<b>2011</b>				
January (3rd to 21st)	84,840,360	5,656,024	0.19%	0.67%

*Source: Website of the Stock Exchange*

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the EIHL Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 2,968,310,840 EIHL Shares in issue as at the Latest Practicable Date.
3. Based on 841,463,476 EIHL Shares held by public EIHL Shareholders as at the Latest Practicable Date.

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## LETTER FROM PIPER JAFFRAY

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As illustrated in the above table, the average daily trading volume of EEH Shares during the Pre-Announcement Period ranged from 3,425,400 to 29,170,157, representing approximately 0.07% to 0.11% of the total number of EEH Shares in issue as at the Latest Practicable Date, and approximately 0.16% to 0.27% of the total number of EEH Shares held by public EEH Shareholders as at the Latest Practicable Date. The average daily trading volume of EEH Shares during the Post-Announcement Period ranged from 16,737,960 to 34,652,518, representing approximately 0.14% to 0.18% of the total number of EEH Shares in issue as at the Latest Practicable Date, and approximately 0.34% to 0.42% of the total number of EEH Shares held by public EEH Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume of EIHL Shares during the Pre-Announcement Period ranged from 8,242,092 to 223,021,612, representing approximately 0.02% to 0.42% of the total number of EIHL Shares in issue as at the Latest Practicable Date, and approximately 0.05% to 1.47% of the total number of EIHL Shares held by public EIHL Shareholders as at the Latest Practicable Date. The average daily trading volume of EIHL Shares during the Post-Announcement Period ranged from 21,556,000 to 84,840,360, representing approximately 0.08% to 0.19% of the total number of EIHL Shares in issue as at the Latest Practicable Date, and approximately 0.28% to 0.67% of the total number of EIHL Shares held by public EIHL Shareholders as at the Latest Practicable Date.

In view of the above, we consider that the overall liquidity of the EEH Shares was relatively low compared to EIHL Shares during the Pre-Announcement Period and the Post-Announcement Period. We consider that the Offer provides an alternative exit to EEH Shareholders to realize their investment in the EEH Shares for EIHL Shares with relatively higher liquidity.

### 8. Market comparables

We have identified 5 suitable market comparables in our analysis (the “**Comparables**”) which (i) have principal business similar to that of the Remaining EEH Group; (ii) have market capitalization of not more than HK\$10 billion; and (iii) have their shares listed on the main board of the Stock Exchange. The companies listed on the main board of Hong Kong Stock Exchange which are principally engaged in the provision of gaming and entertainment service, have market capitalization ranged from less than about HK\$400 million (Dore Holdings Limited, SEHK: 628) to more than HK\$160 billion (Sands China Ltd, SEHK: 1928). EEH with market capitalization of about HK\$2,500 million, is a small-to-medium sized gaming company. Therefore, the Gaming Comparables chosen should also be restricted to small-to-medium sized gaming companies, with market capitalization less than HK\$10 billion. Although the principle place of business of the Comparables may not be identical to that of the EEH Group, based on the aforesaid selection criteria, we consider that the Comparables are relevant and could provide a general reference for the market’s collective valuation for companies conducting businesses similar to that conducted by the EEH Group. Price to earnings ratio is regarded as one of the commonly used valuation method to value a company with recurrent income base. However, as 4 out of 5 Comparables has been loss making in the latest financial year, the enterprise value to earnings before interest, tax, depreciation and amortisation ratios (the “**EV to EBITDA Ratio**”) has been used in our analysis. Given that: (i) the EV to EBITDA Ratio can eliminate the impact by different capital structure and different levels of capital expenditure of the Gaming Comparables for better comparison; and (ii) 3 out of 5 Comparables have positive EBITDA, we consider that it is appropriate to use EV to EBITDA ratio of these Comparables for our analysis. We have compared the EV to EBITDA Ratio of the Comparables to the EV to EBITDA Ratio of the Remaining EEH Group represented by the Offer price.

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## LETTER FROM PIPER JAFFRAY

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The list of the Comparables which is exhaustive and their respective EV to EBITDA Ratios are set out below.

Company (stock code)	Closing price as at the Latest Practicable Date (HK\$)	Market capitalization (HK\$ million)	Enterprise Value (Note 1) (HK\$ million)	EBITDA (Note 2) (HK\$ million)	EV to EBITDA ratio (HK\$ million)
Melco International Development Ltd. (200)	5.78	7,112.8	7,321.3	N/A	N/A
NagaCorp Ltd. (3918)	1.72	3,581.2	3,431.9	308.1	11.14
Amax Holdings Limited (959)	0.146	563.2	662.8	104.3	6.36
Dore Holdings Limited (628)	0.165	355.6	539.6	341.0	1.58
Success Universe Group Limited (487)	0.72	1,756.1	2,244.1	N/A	N/A
<b>Average</b>					<b>6.36</b>
Maximum					11.14
Minimum					1.58
EEH	1.99	2,572.2			
– Revised Second LTD Implied Offer Price	1.98		2,328.4 (Note 3)	385.6	6.04
– LPD Implied Offer Price	1.79		1,992.4 (Note 4)	385.6	5.17

Source: Bloomberg and website of the Stock Exchange

Notes:

1. Enterprise value is calculated as market capitalization based on EEH and the Comparables' respective closing prices as at the Latest Practicable Date, after adding back minority interests and debts, and deducting bank and cash balances as extracted from their respective latest published interim or annual reports.
2. EBITDA represents earnings before interest, tax, depreciation and amortisation, and was adjusted by the non-operating and once-off profit and loss items (such as impairment loss of financial assets, fair value changes in investment properties and fair value changes in other financial assets) as extracted from EEH and the Comparables' respective latest published annual reports.
3. Being the enterprise value of EEH as implied by the Revised Second LTD Implied Offer Price.
4. Being the enterprise value of EEH as implied by the LPD Implied Offer Price.

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## LETTER FROM PIPER JAFFRAY

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As shown in the table set out above, the EV to EBITDA Ratio of the Comparables ranges from 1.58 to 11.14 times with average of approximately 6.36 times. The implied EV to EBITDA Ratio of the EEH Group calculated by the LPD Implied Offer Price of approximately 5.17 times was below the average EV to EBITDA Ratios of the Comparables with discount of 18.71%. Accordingly, we consider the Offer price to be not fair and reasonable to the EEH Independent Shareholders.

### **9. Acquisition of a property during the Offer Period**

As stated in the Letter from Emperor Capital, on 14 January 2011, Rise Wealth Enterprise Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser and Mr. Tang Yuen Fun and Mr. Tang Kee Fun, Independent Third Parties, as vendor entered into an agreement in relation to the acquisition of the property which is located at Ground Floor, No. 76 Percival Street, Hong Kong, at a consideration of HK\$380 million (the "Acquisition"). Completion of the Acquisition is expected to take place on or before 14 February 2011. The Acquisition constitutes a discloseable transaction (as defined in the Listing Rules) of EIHL and details which are set out in the announcement of EIHL dated 14 January 2011. The EIHL Directors consider that the Acquisition is in the normal course of business of EIHL and the size of the transaction is not material. The Acquisition will have no impact on the Offer. Given that: (i) we concur with the view of the EIHL Directors that the Acquisition will not have any material effect to the financial position of EIHL Group; and (ii) the Acquisition only constituted a discloseable transaction for EIHL, we are of the view that the Acquisition is not a material acquisition which will not have any impact to our advice to the EEH Independent Board Committee and EEH Independent Shareholders in respect of the Offer and will not have any impact to the Offer in respect of Note 1 to Rule 16 of the Takeovers Code.

### **RECOMMENDATION**

In arriving at our recommendation in respect of the Offer, we have considered the principal factors and reasons as discussed above, including, among others, financial information and prospects of EEH Group and EIHL Group, reasons for the Offer and benefits for the Offer for the EEH Independent Shareholders, comparison with historical EEH Share prices and liquidity of the EEH Shares and EIHL Shares and market comparables analysis. Balancing the aforesaid factors, we consider that the below principal factors outweigh the other factors in deriving our recommendation in respect of the Offer:

1. the LPD Implied Offer Price of HK\$1.72 per EEH Share represents a discount of approximately 13.57% to the closing price of EEH Share of HK\$1.99 as at the Latest Practicable Date; and
2. the implied EV to EBITDA Ratios of the EEH Group calculated by the LPD Implied Offer Price was below the average EV to EBITDA Ratios of the Comparables with discount of 18.71%.

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## LETTER FROM PIPER JAFFRAY

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Given that the LPD Implied Offer price: (i) is below the price of the EEH Shares as at the Latest Practicable Date; and (ii) has implied EV to EBITDA Ratios below the average EV to EBITDA Ratios of the Comparables, we consider that the EEH Independent Shareholders should consider disposing their EEH Shares in the open market instead of accepting the Offer to realise a higher return based on the prices of EEH Shares and EIHL Shares as at the Latest Practicable Date. The Revised Second LTD Implied Offer Price represents a premium of approximately 16.47% over the closing price of EEH Share on the Second Last Trading Date. However, based on the above, we consider that the terms of the Offer are not fair and reasonable so far as the EEH Independent Shareholders are concerned and accordingly, we recommend the EEH Independent Board Committee to advise the EEH Independent Shareholders not to accept the Offer. We wish to bring to the attention of the EEH Independent Shareholders that the Offer consideration is subject to the market price of EIHL Shares and thus, the monetary value of the Offer consideration will vary during the Offer period. The EEH Independent Shareholders are reminded to carefully and closely monitor the market prices of EEH Shares and EIHL Shares during and before the close of the Offer period and consider to: (i) dispose EEH Shares in the open market should the Offer consideration as implied by the then market price of EIHL Shares is lower than the then market price of EEH Shares; or (ii) accept the Offer should the Offer consideration as implied by the then market price of EIHL Shares is higher than the then market price of EEH Shares. The EEH Independent Shareholders are advised that the decision to realise or to hold their investments in EEH is subject to individual circumstances and investment objectives.

Yours faithfully,  
for and on behalf of  
**PIPER JAFFRAY ASIA LIMITED**  
**Stacey Wong**  
*Head of Investment Banking*

**1. PROCEDURES FOR ACCEPTANCE**

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your EEH Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on the Closing Date.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your EEH Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your EEH Shares, you must either:

- (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (b) arrange for the EEH Shares to be registered in your name by EEH through the Registrar and send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof to the Registrar; or
- (c) if your EEH Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer in your securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
- (d) if your EEH Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System before the deadline set by HKSCC Nominees Limited.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your EEH Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificates and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter.

If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your EEH Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable authority to any of the Offeror and Emperor Capital or their respect agent(s), to collect from EEH or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificates to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.

An acceptance of the Offer may not be counted as valid unless:

- (a) it is received by the Registrar on or before 4:00 p.m. on the Closing Date or such time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and the Registrar has recorded that such acceptance and any relevant documents required under paragraph (b) below have been so received; and
- (b) the Form of Acceptance is duly completed and signed and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant EEH Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant EEH Shares; or
  - (ii) from a registered EEH Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the EEH Shares which are not taken into account under the other sub-paragraph of this paragraph (b)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered EEH Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**2. SETTLEMENT**

Provided that the Form of Acceptance and relevant share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the cash consideration due to each accepting EEH Shareholder in respect of the Offer Shares tendered by him under the Offer, less seller's ad valorem stamp duty payable by him, and the share certificate for the EIHL Shares will be despatched to each accepting EEH Shareholder at the address specified on the Form of Acceptance by ordinary post at his own risk as soon as possible but in any event, within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid or upon the Offer becoming unconditional whichever is the later.

Settlement of the consideration to which any accepting holder(s) of EEH Shares is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting holder(s) of Offer Shares.

**3. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the relevant Form of Acceptance for the Offer must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.

If the Offer is extended, the announcement of such extension will state the next closing date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 day's notice in writing must be given before the Offer is closed, to the EEH Independent Shareholders. If in the course of the Offer, the Offeror revises the terms of the Offer, all EEH Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

**4. ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must publish an announcement in accordance with the Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended or expired. The announcement will state the following:

- (i) the total number of EEH Shares and rights over EEH Shares for which acceptances of the Offer has been received;



- (ii) the total number of EEH Shares and rights over EEH Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the offer period (as defined under the Takeovers Code);
- (iii) the total number of EEH Shares and rights over EEH Shares acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) by the Offeror and the parties acting in concert with it; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in EEH which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed EEH Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights of represented by these numbers of EEH Shares.

In computing the total number of EEH Shares represented by acceptances, for announcement purpose, acceptances which are in all respects in complete and good order or that have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

## **5. NOMINEE REGISTRATION**

To ensure equality of treatment of all EEH Shareholders, those registered EEH Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the EEH Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The completed Form of Acceptance and remittances sent by or to the EEH Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of EEH (or in the case of joint EEH Shareholders, to the EEH Shareholder whose name stands first in the register of members of EEH).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, EEH, Emperor Capital, the Registrar or any of their respective directors or any other persons involved in the Offer will be responsible for any loss or delay in the transmission or any other liabilities that may arise as a result thereof.

**6. RIGHT OF WITHDRAWAL**

The Offer is conditional upon fulfillment of certain conditions set out in the “Letter from Emperor Capital” and acceptance of the Offer tendered by the holders of the Offer Shares shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as set out in section 4 of this appendix, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

**7. EEH SHARES**

Acceptance of the Offer by any EEH Shareholder will be deemed to constitute a warranty by such person that all the EEH Shares to be sold by such person under the Offer will be free from all liens, charges, options, claims, equities, adverse interests, rights of preemption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the date of the Composite Document. For those EEH Shareholders who accept the Offer, they will be selling their EEH Shares to the Offeror together with the right to the EEH Cash Dividend and the EIHL Share under the EEH Distribution.

**8. HONG KONG STAMP DUTY**

Sellers’ ad valorem stamp duty for the EEH Shares arising in connection with the acceptances of the Offer will be payable by the accepting EEH Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptances. The amount will be deducted from the cash amount due to such accepting EEH Shareholder. The Offeror will pay the buyer’s ad valorem stamp duty on its own behalf.

**9. AVAILABILITY OF THE OFFER**

The Offeror intends to make available the Offer to all EEH Shareholders, including those who are resident outside Hong Kong, to the extent practicable. The availability of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

## 10. OVERSEAS HOLDERS OF EEH SHARES

This Composite Document will also be sent to all EEH Shareholders with a registered address outside Hong Kong.

Holders of EEH Shares who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such accepting EEH Shareholder in respect of such jurisdiction. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

The Overseas EEH Shareholders in the following jurisdictions should note that:

### **For residents of the United States**

**This Composite Document is provided to Overseas EEH Shareholders with a registered address in the United States for information purposes only. No offer is being made to Overseas EEH Shareholders with a registered address in the United States.**

**The Offer described in the Composite Document is not intended to be registered or filed in the United States or any jurisdiction therein, and therefore is not intended to be subject to any notification, disclosure, consent to service of process and jurisdiction, anti-fraud or any other requirements or provisions under the securities laws of the United States or any jurisdiction therein.**

EEH Shareholders in the United States should note that the making of the Offer to persons with a registered address in jurisdiction in the United States may be prohibited or affected by the laws of the relevant jurisdiction.

### **For residents of Australia**

The Offer is for the securities of EEH incorporated under the laws of Bermuda and listed on the Stock Exchange. Australian holders of EEH Shares should be aware that (i) this Composite Document may not contain all the information required to be contained in disclosure documents under Australian law and (ii) EIHL is not subject to the continuous disclosure requirements of the Australian Cooperation Act as it applies in Australia.

### **For residents of Singapore**

No offering document will be registered as a prospectus with the Monetary Authority of Singapore in connection with the Offer. Accordingly, no document or material in connection with the offer or sale, or invitation for subscription or purchase, whether directly or indirectly, to offered or sold, or be made the subject to an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore.

**Overseas EEH Shareholders are advised to seek professional advice on deciding whether to accept the Offer.**

## 11. GENERAL

- (i) All communications, notices, the Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the holders of EEH Shares will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, Emperor Capital, the Registrar or company secretary of EEH or any of their respective directors or agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (iii) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (iv) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of a Form of Acceptance will constitute an authority to the Offeror, any director of the Offeror, Emperor Capital or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the EEH Shares in respect of which such person or persons has/have accepted the Offer.
- (vi) Acceptance of the Offer by any person or persons holding the EEH Shares will be deemed to constitute a warranty by such person or persons to the Offeror that the Offer Shares acquired under the Offer are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the date of this Composite Document. The settlement of the consideration to which any EEH Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such EEH Shareholder.

- (vii) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Any such persons will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
  
- (viii) In making their decision, the EEH Shareholders must rely on their own examination of the Offeror, the EEH Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on part of the Offeror, EEH, Emperor Capital or their respective professional advisers. The EEH Shareholders should consult their own professional advisers for professional advice.
  
- (ix) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
  
- (x) This Composite Document has been prepared for the purposes of compliance with the legislative requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.
  
- (xi) The English text of this Composite Document and of the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

**1. SUMMARY OF FINANCIAL INFORMATION ON EEH GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2008, 2009 AND 2010**

The following is a summary of the unaudited consolidated financial information of EEH for the six months ended 30 September 2010 as extracted from the interim report of EEH 2010/11 and the audited consolidated financial information of EEH for each of the three years ended 31 March 2008, 2009 and 2010 as extracted from the annual reports of EEH. EEH's auditor, Deloitte Touche Tohmatsu, has not issued a qualified opinion on EEH Group's consolidated financial statements for each of the three years ended 31 March 2008, 2009 and 2010. There were no extraordinary or exceptional items for the three years ended 31 March, 2008, 2009 and 2010 respectively.

**Results**

	<b>Six months ended</b>		<b>Year ended 31 March</b>	
	<b>30 September 2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	618,143	990,204	791,456	1,271,429
Profit before taxation	252,298	833,044	5,709	333,563
Taxation	(34,989)	(177,138)	(7,784)	(33,642)
Profit (loss) for the year	<u>217,309</u>	<u>655,906</u>	<u>(2,075)</u>	<u>299,921</u>
Attributable to:				
Equity holders of EEH	170,020	587,278	28,852	202,458
Minority interests	47,289	68,628	(30,927)	97,463
	<u>217,309</u>	<u>655,906</u>	<u>(2,075)</u>	<u>299,921</u>
Final dividend 2007	–	–	–	82,684
Interim dividend 2008	–	–	–	41,342
Final dividend 2008	–	–	40,449	–
Final dividend 2009	–	23,266	–	–
Interim dividend 2010	–	32,314	–	–
Final dividend 2010	62,042	–	–	–
Dividends paid	<u>62,042</u>	<u>55,580</u>	<u>40,449</u>	<u>124,026</u>
Dividends per share	<u>HK\$0.05</u>	<u>HK\$0.04</u>	<u>HK\$0.03</u>	<u>HK\$0.12</u>
Earnings per share				
Basic and diluted	<u>HK\$0.13</u>	<u>HK\$0.50</u>	<u>HK\$0.03</u>	<u>HK\$0.20</u>

**Asset, liabilities and minority interests**

	<b>As at</b>		<b>As at 31 March</b>	
	<b>30 September 2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(unaudited)	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	4,047,543	3,800,664	3,195,763	3,369,590
Total liabilities	969,789	885,206	1,018,488	1,176,476
Equity attributable to equity holders of EEH	2,587,620	2,472,120	1,716,846	1,713,239
Minority interests	490,134	443,338	460,429	479,875

## 2. FINANCIAL INFORMATION ON EEH GROUP FOR THE YEAR ENDED 31 MARCH 2010

**Consolidated Statement of Comprehensive Income***For the year ended 31st March, 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Revenue	7	990,204	791,456
Cost of sales		(29,601)	(34,197)
Cost of hotel and gaming operations		(274,706)	(201,780)
Gross profit		685,897	555,479
Other income		8,171	11,938
Gain (loss) on fair value change in investment properties		569,118	(139,300)
Impairment loss recognised in respect of goodwill	19	(18,301)	–
Selling and marketing expenses		(265,147)	(247,668)
Administrative expenses		(129,020)	(148,205)
Finance costs	9	(17,674)	(26,535)
Profit before taxation	10	833,044	5,709
Taxation	12	(177,138)	(7,784)
Profit (loss) for the year		655,906	(2,075)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		1,331	6,726
Revaluation gain on hotel property upon transfer to investment properties		–	19,268
Deferred tax on revaluation gain on hotel property upon transfer to investment properties		–	(2,312)
Other comprehensive income for the year (net of tax)		1,331	23,682
Total comprehensive income for the year		657,237	21,607
Profit (loss) for the year attributable to:			
Owners of the Company		587,278	28,852
Minority interests		68,628	(30,927)
		655,906	(2,075)
Total comprehensive income attributable to:			
Owners of the Company		588,609	44,056
Minority interests		68,628	(22,449)
		657,237	21,607
Earnings per share	14		
Basic and diluted		HK\$0.50	HK\$0.03



**Consolidated Statement of Financial Position***At 31st March, 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Non-current assets			
Investment properties	15	1,617,800	426,400
Property, plant and equipment	16	931,646	967,540
Prepaid lease payments	17	245,479	296,534
Property under development	18	–	570,962
Deposits paid for acquisition of property, plant and equipment		5,257	518
Goodwill	19	110,960	72,938
		<hr/>	<hr/>
		2,911,142	2,334,892
		<hr/>	<hr/>
Current assets			
Inventories, at cost		6,741	4,881
Trade and other receivables	20	302,637	320,568
Prepaid lease payments	17	6,446	7,742
Pledged bank deposit	21	300	300
Bank balances and cash	21	573,398	527,380
		<hr/>	<hr/>
		889,522	860,871
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	22	290,944	351,401
Amount due to a fellow subsidiary	23	2,435	–
Amounts due to related companies	24	–	2,800
Amounts due to minority shareholders of a subsidiary	25	117,028	153,531
Taxation payable		96,686	65,580
Secured bank borrowings – amounts due within one year	26	–	44,604
		<hr/>	<hr/>
		507,093	617,916
		<hr/>	<hr/>
Net current assets		382,429	242,955
		<hr/>	<hr/>
Total assets less current liabilities		3,293,571	2,577,847
		<hr/>	<hr/>

**APPENDIX II****FINANCIAL INFORMATION ON EEH GROUP**

		<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Amounts due to minority shareholders of a subsidiary	25	162,334	203,871
Secured bank borrowings – amounts due after one year	26	–	126,954
Deferred taxation	27	215,779	69,747
		<u>378,113</u>	<u>400,572</u>
		<u>2,915,458</u>	<u>2,177,275</u>
Capital and reserves			
Share capital	28	129	101
Reserves	30	2,471,991	1,716,745
		<u>2,472,120</u>	<u>1,716,846</u>
Equity attributable to owners of the Company			
Minority interests	31	443,338	460,429
		<u>2,915,458</u>	<u>2,177,275</u>

## Consolidated Statement of Changes in Equity

For the year ended 31st March, 2010

	Attributable to owners of the Company											Minority interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Share option reserve	Legal reserve	Translation reserve	Accumulated profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(note 30(a))		(note 30(b))							
At 1st April, 2008	101	188,585	668	868,583	-	3,964	287	55,246	595,805	1,713,239	479,875	2,193,114	
Revaluation gain on hotel property upon transfer to investment properties	-	-	-	-	9,634	-	-	-	-	9,634	9,634	19,268	
Deferred tax on revaluation gain on hotel property upon transfer to investment properties	-	-	-	-	(1,156)	-	-	-	-	(1,156)	(1,156)	(2,312)	
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	-	6,726	-	6,726	-	6,726	
Profit (loss) for the year	-	-	-	-	-	-	-	-	28,852	28,852	(30,927)	(2,075)	
Total comprehensive income for the year	-	-	-	-	8,478	-	-	6,726	28,852	44,056	(22,449)	21,607	
Deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary (note 25)	-	-	-	-	-	-	-	-	-	-	3,003	3,003	
2008 final dividend paid in cash	-	-	-	(40,449)	-	-	-	-	-	(40,449)	-	(40,449)	
At 31st March, 2009	101	188,585	668	828,134	8,478	3,964	287	61,972	624,657	1,716,846	460,429	2,177,275	
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	-	1,331	-	1,331	-	1,331	
Profit for the year	-	-	-	-	-	-	-	-	587,278	587,278	68,628	655,906	
Total comprehensive income for the year	-	-	-	-	-	-	-	1,331	587,278	588,609	68,628	657,237	
Issue of shares	28	222,217	-	-	-	-	-	-	-	222,245	-	222,245	
Arising on acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(96,384)	(96,384)	
Deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary (note 25)	-	-	-	-	-	-	-	-	-	-	10,665	10,665	
2009 final dividend paid in cash	-	-	-	(23,266)	-	-	-	-	-	(23,266)	-	(23,266)	
2010 interim dividend paid in cash	-	-	-	(32,314)	-	-	-	-	-	(32,314)	-	(32,314)	
At 31st March, 2010	129	410,802	668	772,554	8,478	3,964	287	63,303	1,211,935	2,472,120	443,338	2,915,458	

**Consolidated Statement of Cash Flows***For the year ended 31st March, 2010*

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Cash flows from operating activities			
Profit before taxation		833,044	5,709
Adjustments for:			
Interest income		(638)	(3,598)
Interest expenses		2,066	8,344
Imputed interest expense		15,608	18,191
Depreciation of property, plant and equipment		85,673	77,236
Allowance for bad and doubtful debts		–	36,344
Release of prepaid lease payments		6,446	6,456
(Gain) loss on fair value change in investment properties		(569,118)	139,300
Impairment loss recognised in respect of goodwill		18,301	–
Loss on disposal of property, plant and equipment		136	498
		<hr/>	<hr/>
Operating cash flows before movements in working capital		391,518	288,480
(Increase) decrease in inventories		(1,860)	69
Decrease in trade and other receivables		17,933	320,312
Decrease in trade and other payables		(61,020)	(111,450)
Increase in amount due to a fellow subsidiary		2,435	–
Decrease in amounts due to related companies		(2,800)	(4,378)
		<hr/>	<hr/>
Net cash generated from operating activities		346,206	493,033
Cash flows from investing activities			
Interest received		638	3,598
Additions to property, plant and equipment		(49,500)	(31,698)
Additions to investment properties		(3,533)	–
Additions to property under development		–	(3,568)
Deposits paid for acquisition of property, plant and equipment		(5,257)	(518)
Increase in pledged bank deposit		–	(300)
Proceeds on disposal of property, plant and equipment		105	33
Acquisition of additional interest in a subsidiary	28	(3,445)	–
		<hr/>	<hr/>
Net cash used in investing activities		(60,992)	(32,453)

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Cash flows from financing activities		
Dividend paid	(55,580)	(40,449)
Advances from related companies	–	303
Repayments of bank borrowings	(171,558)	(41,891)
Interest paid	(2,066)	(8,344)
Repayments to minority shareholders of a subsidiary	(10,000)	(32,500)
	<hr/>	<hr/>
Net cash used in financing activities	(239,204)	(122,881)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	46,010	337,699
Cash and cash equivalents at the beginning of the year	527,380	189,280
Effect of foreign exchange rate changes	8	401
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	573,398	527,380
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash and cash equivalents at the end of the year		
Bank balances and cash	573,398	527,380
	<hr/> <hr/>	<hr/> <hr/>

## Notes To The Consolidated Financial Statements

For the year ended 31st March, 2010

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report. During the year, Worthly Strong Investment Limited (“Worthly Strong”), a company incorporated in Hong Kong with limited liability, increased its equity interest in the Company from 43.43% to 57.50%. Worthly Strong is a wholly-owned subsidiary of Emperor International Holdings Limited (“EIHL”), a company incorporated in Bermuda with limited liability, the shares of which are also listed on the Stock Exchange. Accordingly, Worthly Strong and EIHL became the immediate holding company and intermediate holding company of the Company respectively from 28th August, 2009. The ultimate holding company of the Company is Million Way Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”s)

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

\* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**New and revised HKFRSs affecting presentation and disclosure only**

*HKAS 1 (Revised 2007) Presentation of financial statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

*HKFRS 8 Operating segments*

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8).

**New and revised HKFRS affecting the reported results and financial position**

*Amendments to HKAS 40 Investment property*

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). Prior to 1st April, 2009, the leasehold land and building elements of investment properties under development were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses, if any. The Group has used the fair value model to account for its investment properties. Property that was being constructed or developed for future use as an investment property was included in properties under development until construction or development was complete, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss.

The Group has applied the amendments to HKAS 40 prospectively from 1st April, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's investment property under development that includes the leasehold land and buildings elements with previous carrying amounts of HK\$45,905,000 and HK\$570,962,000 as at 1st April, 2009 respectively, has been reclassified as investment properties and measured at fair value as at 1st April, 2009, with the fair value gain of HK\$363,133,000 and related deferred tax expense of HK\$90,783,000. During the year, further fair value gain of HK\$184,585,000 and related deferred tax expense of HK\$46,147,000 have been recognised in the profit or loss. As at 31st March, 2010, the impact has been to decrease prepaid lease payments and property under development by HK\$45,905,000 and HK\$570,962,000 respectively, to increase investment properties by HK\$1,170,000,000, to increase deferred tax liabilities by HK\$136,930,000 and to increase profit for the year and accumulated profits by HK\$410,788,000. As a result of the adoption of the amendments to HKAS 40, the basic and diluted earnings per share of the Group for the year increased by HK\$0.35.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related party disclosures <sup>7</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>4</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>6</sup>
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions <sup>4</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>8</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>7</sup>
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners <sup>1</sup>
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1st February, 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2010.

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2011.

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from the Group's annual reporting period beginning 1st April, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from the Group's annual reporting period beginning 1st April, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.



The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which were adjusted to fair value at initial recognition and investment properties which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority interests' share of changes in equity since the date of the combination. Losses applicable to the minority interests in excess of those interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interests have a binding obligation and is able to make an additional investment to cover the losses.

#### **Acquisition of additional interests of subsidiaries**

Acquisition of additional interests of subsidiaries that do not result in change in control do not fall within the definition of business combination under HKFRS 3 "Business Combinations". The excess of the cost of acquisition over the carrying value of assets and liabilities of the subsidiary attributable to the additional interest acquired is recognised as goodwill.

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU"s), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in consolidated statement of comprehensive income for the period in which they arise.

From 1st April, 2009, investment properties under construction or development have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development. Investment properties under construction or development are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction or development and their carrying amounts is recognised in profit or loss in the period in which they arise. Prior to 1st April, 2009, the leasehold land and building elements of investment properties under construction or development were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

**Property, plant and equipment**

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

**Properties under development**

Prior to 1st April, 2009, property that was being constructed or developed for future use as an investment property was included in property under development until construction or development was completed, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss. Upon the adoption of amendments to HKAS 40, the property has been reclassified as an investment property as at 1st April, 2009 (see note 2).

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Impairment of assets (other than goodwill and financial assets)**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

**Leasehold land and building**

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the term on a straight line basis, except for those classified and accounted for as investment properties under fair value model, or those previously classified and accounted for as investment properties using the fair value model and now reclassified to property, plant and equipment.

**Inventories**

Inventories represent food and beverage, consumable and other goods of hotel and are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Financial assets*

The Group's financial assets represent loans and receivables.

## Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

## Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on the receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities*

Financial liabilities including trade and other payables, amount due to a fellow subsidiary, amounts due to related companies, amounts due to minority shareholders of a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

For the amounts due to minority shareholders of a subsidiary, if the Group revises its estimates of the timing of repayments, the carrying amount of the amounts due to minority shareholders of a subsidiary is adjusted to reflect the revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the balance's original effective interest rate. The adjustment is recognised as deemed capital contribution by the minority shareholders or as an adjustment to the deemed capital contribution.

#### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods sold and services provided in the normal course of business, net of discounts.

Revenue arising from service provided for gaming operations in mass market halls, slot machine hall and VIP rooms is recognised when the relevant services have been rendered and the Group is entitled to the share of gross win and gross loss in respect of the operating performance from the gaming operator.

Revenue from hotel accommodation are recognised upon the provision of the accommodation services. Revenue from food and beverage sales and other ancillary services are recognised upon the provision of goods and services.

Service income is recognised when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

**Share-based payment transactions**

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

**Retirement benefit costs**

Payments to defined contribution retirement benefit schemes other than the costs directly attributable to the development of the properties, which are capitalised as part of the cost of qualified assets, are charged as an expense when employees have rendered service entitling them to the contributions.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Group's accounting policies which are described in note 3, the management has made judgements that have significant effect on the accounts recognised in the consolidated financial statements. The key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Fair value of investment properties**

The fair value of HK\$1,617,800,000 as at 31st March, 2010 (2009: HK\$426,400,000) was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

**Estimates of repayment of amounts due to minority shareholders of a subsidiary**

The Group's carrying amount of the interest-free portion of the amounts due to minority shareholders of a subsidiary as at 31st March, 2010 was HK\$279,362,000 (2009: HK\$357,402,000). According to the shareholders' agreements, these amounts are repayable only when the indirect non-wholly owned subsidiary, Luck United Holdings Limited ("Luck United"), and its subsidiaries have surplus fund. Surplus fund represents available cash within these subsidiaries after payment of all operating expenses and payable including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. The carrying amount of the amounts due to minority shareholders of a subsidiary and the deemed contribution by minority shareholders may be adjusted to reflect the revised estimated cash flows when the Group revises its estimates of the timing of repayment to the minority shareholders.

**Estimated provision for impairment of trade receivables**

The Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible people discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade receivables as at 31st March, 2010 is HK\$154,673,000 (net of allowance for bad and doubtful debts of HK\$62,769,000) (2009: HK\$195,291,000 (net of allowance for bad and doubtful debts of HK\$62,769,000)).

**Deferred tax assets**

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

**5. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amounts due to minority shareholders of a subsidiary as disclosed in note 25, bank borrowings disclosed in note 26 and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The directors of the Company review the capital structure on a regular basis. During the year, the Group had repaid all of the bank borrowings and therefore bank borrowings are no longer part of the capital structure of the Group. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the debt raising.



## 6. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>FINANCIAL ASSETS</b>		
Loans and receivables		
Trade and other receivables	294,756	312,841
Pledged bank deposit	300	300
Bank balances and cash	573,398	527,380
	<u>868,454</u>	<u>840,521</u>
<b>FINANCIAL LIABILITIES</b>		
At amortised cost		
Trade and other payables	51,741	99,546
Amount due to a fellow subsidiary	2,435	–
Amounts due to related companies	–	2,800
Amounts due to minority shareholders of a subsidiary	279,362	357,402
Secured bank borrowings	–	171,558
	<u>333,538</u>	<u>631,306</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, amounts due to minority shareholders of a subsidiary and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

## Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. Several subsidiaries of the Group have foreign currency sales and purchases, but the management considers the amount of foreign currency sales and purchase is insignificant. The management considers the Group does not expose to significant foreign currency risk in relation to transactions denominated in Macau Pataca ("MOP"). Exposures on balances which are denominated in MOP in group entities with Hong Kong dollars as functional currency are not considered significant as MOP is pegged to Hong Kong dollars.

## Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to bank balances (2009: variable-rate secured bank borrowings and bank balances). The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rate for the bank balances (2009: variable-rate secured bank borrowings and bank balances) at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

Except for secured bank borrowings using 100 basis points for the year ended 31st March, 2009, if interest rates for bank balances had been 10 basis points (2009: 10 basis points) higher and all other variables were held constant, the potential effect on post-tax profit (2009: post-tax loss) for the year is as follows:

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in post-tax profit (2009: (increase) decrease in post-tax loss) for the year		
– Secured bank borrowings	–	(1,716)
– Bank balances	574	528
	<u>574</u>	<u>528</u>
	<u><u>574</u></u>	<u><u>(1,188)</u></u>

If interest rates had been lower in an opposite magnitude and all other variables held constant, the potential effect on the results would be equal and opposite.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2010 in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period based on the management knowledge of customers and their creditability and repayment record to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 34.23% (2009: 24.04%) and 34.97% (2009: 24.09%) of the total trade receivables which was due from the Group's largest customer and the five largest customers respectively within the hotel operation and gaming operation business segments. The remaining trade receivables balances are spread over numbers of customers.

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of banking facilities and ensures compliance with loan covenants, if any.

As at 31st March, 2010, the Group has available unutilised banking facilities of HK\$100,000,000 (2009: HK\$100,000,000).

The following table details the Group's remaining contractual maturity for its financial liabilities that will result in cash outflow. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on interest rate at the end of the reporting period.

*Liquidity and interest risk tables*

	Weighted average effective interest rate	Less than 1 month or repayable on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Interest portion HK\$'000	Total carrying amounts HK\$'000
<b>2010</b>								
Trade and other payables	-	51,223	282	236	-	51,741	-	51,741
Amount due to a fellow subsidiary	-	2,435	-	-	-	2,435	-	2,435
Amounts due to minority shareholders of a subsidiary	5.00%	-	-	123,016	182,984	306,000	(26,638)	279,362
		<u>53,658</u>	<u>282</u>	<u>123,252</u>	<u>182,984</u>	<u>360,176</u>	<u>(26,638)</u>	<u>333,538</u>
<b>2009</b>								
Trade and other payables	-	98,992	292	262	-	99,546	-	99,546
Amounts due to related companies	-	2,800	-	-	-	2,800	-	2,800
Amounts due to minority shareholders of a subsidiary	5.00%	-	-	161,386	233,614	395,000	(37,598)	357,402
Secured bank borrowings	4.39%	4,098	12,293	32,782	132,448	181,621	(10,063)	171,558
		<u>105,890</u>	<u>12,585</u>	<u>194,430</u>	<u>366,062</u>	<u>678,967</u>	<u>(47,661)</u>	<u>631,306</u>

**(c) Fair value**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective end of the reporting periods approximate their corresponding fair values.

## 7. REVENUE

An analysis of the Group's revenue is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Service income from gaming operation in VIP rooms	321,190	237,748
Service income from gaming operation in mass market halls	463,191	291,960
Service income from gaming operation in slot machine hall	35,868	36,003
Hotel room income	62,035	71,614
Marketing and promotion income	14,462	36,900
Food and beverage sales	60,467	65,748
Rental income from investment properties	29,389	36,671
Others	3,602	14,812
	990,204	791,456
	990,204	791,456

## 8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, the segment information reported externally was based on risks and returns and analysed by service lines supplied by the Group, i.e. hotel and gaming operations and property development. However, information reported to the Executive Directors for the purpose of resource allocation and assessment of performance is more detailed and specifically focused on individual unit of operation. For gaming operation, the Executive Directors regularly analyse gaming revenue in terms of service income from VIP rooms, mass market halls and slot machine hall. No operating results nor discrete financial information is presented to the Executive Directors in relation to the above analyses. The Executive Directors review the revenues and operating results of gaming operation as a whole. The Executive Directors have identified the operating segments under HKFRS 8 as follows: gaming operation, hotel operation and property development.

Principal activities of the operating segments are as follows:

Gaming operation	–	Mass market halls, slot machine hall and VIP room operations and provision of gaming-related marketing and public relation services in the casino of the Grand Emperor Hotel in Macau
Hotel operation	–	Hotel operation in the Grand Emperor Hotel in Macau
Property development	–	Development of multi-storey shopping arcade and hotel/service apartment complex in Shanghai, The People's Republic of China (the "PRC")

The Executive Directors assess the performance of individual operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation, central administration costs and gain/loss on fair value changes of investment properties (the "Adjusted EBITDA").

Inter-segment revenue are charged at prevailing market rate.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

### Segment revenues and results

For the year ended 31st March, 2010

	Gaming operation HK\$'000	Hotel operation HK\$'000	Property development HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External revenue	834,711	155,493	–	990,204	–	990,204
Inter-segment revenue	–	4,621	–	4,621	(4,621)	–
Total	<u>834,711</u>	<u>160,114</u>	<u>–</u>	<u>994,825</u>	<u>(4,621)</u>	<u>990,204</u>
Segment result based on						
Adjusted EBITDA	<u>360,593</u>	<u>75,500</u>	<u>(333)</u>	<u>435,760</u>		435,760
Bank interest income						638
Depreciation of property, plant and equipment						(85,673)
Gain on fair value change in investment properties						569,118
Impairment loss recognised in respect of goodwill						(18,301)
Imputed interest expense on amounts due to minority shareholders of a subsidiary						(15,608)
Other finance costs						(2,066)
Release of prepaid lease payments						(6,446)
Unallocated corporate expenses						(44,378)
Profit before taxation						833,044
Taxation						(177,138)
Profit for the year						<u>655,906</u>

**APPENDIX II**
**FINANCIAL INFORMATION ON EEH GROUP**

*For the year ended 31st March, 2009*

	<b>Gaming operation</b>	<b>Hotel operation</b>	<b>Property development</b>	<b>Segment total</b>	<b>Elimination</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE						
External revenue	602,611	188,845	–	791,456	–	791,456
Inter-segment revenue	–	4,621	–	4,621	(4,621)	–
Total	<u>602,611</u>	<u>193,466</u>	<u>–</u>	<u>796,077</u>	<u>(4,621)</u>	<u>791,456</u>
Segment result based on						
Adjusted EBITDA	<u>207,625</u>	<u>87,911</u>	<u>(1,578)</u>	<u>293,958</u>		293,958
Bank interest income						3,598
Depreciation of property, plant and equipment						(77,236)
Loss on fair value change in investment properties						(139,300)
Imputed interest expense on amounts due to minority shareholders of a subsidiary						(18,191)
Other finance costs						(8,344)
Release of prepaid lease payments						(6,456)
Unallocated corporate expenses						(42,320)
Profit before taxation						5,709
Taxation						(7,784)
Loss for the year						<u>(2,075)</u>

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the Executive Directors for review.

**Other information**

Amount included in the measure of segment results:

*For the year ended 31st March, 2009*

	<b>Gaming operation</b>	<b>Hotel operation</b>	<b>Property development</b>	<b>Segment/ consolidated total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Allowance for bad and doubtful debts	36,344	–	–	36,344
	<u>36,344</u>	<u>–</u>	<u>–</u>	<u>36,344</u>

For the year ended 31st March, 2010, there is no other information included in the measure of segment results.

**Geographical information**

The Group's revenue was derived principally in Macau.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located.

	<b>Non-current assets</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Macau	1,740,735	1,700,479
The PRC	1,170,407	634,413
	<u>2,911,142</u>	<u>2,334,892</u>

**Information about major customers**

During the year, revenue derived from the customer which contributed over 10% of the Group's revenue amounted to HK\$859,759,000 (2009: HK\$623,411,000). The revenue related to the gaming operation and hotel operation.

**9. FINANCE COSTS**

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank borrowings wholly repayable within five years	2,066	8,344
Imputed interest expense on amounts due to minority shareholders of a subsidiary	15,608	18,191
	<u>17,674</u>	<u>26,535</u>

10. PROFIT BEFORE TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts (included in administrative expenses)	–	36,344
Auditor's remuneration	2,732	2,604
Commission expenses in gaming operations (included in selling and marketing expenses)	232,479	183,771
Depreciation of property, plant and equipment	85,673	77,236
Loss on disposal of property, plant and equipment	136	498
Release of prepaid lease payments	6,446	6,456
Staff costs, including directors' remuneration and retirement benefit scheme contributions ( <i>note 11</i> )	191,260	133,841
and after crediting:		
Exchange gain	3,224	5,059
Interest income from bank deposits	638	3,598
	<u>          </u>	<u>          </u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	Ms. Luk Siu Man, Semon <i>HK\$'000</i>	Mr. Wong Chi Fai <i>HK\$'000</i>	Ms. Fan Man Seung, Vanessa <i>HK\$'000</i>	Ms. Mok Fung Lin, Ivy <i>HK\$'000</i>	Ms. Chan Sim Ling, Irene <i>HK\$'000</i>	Ms. Chan Wiling, Yvonne <i>HK\$'000</i>	Ms. Wan Choi Ha <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2010</b>								
Fees	–	100	100	100	150	150	150	750
Other emoluments								
Salaries and other benefits	–	–	–	–	–	–	–	–
Performance related incentive payment ( <i>note</i> )	–	–	339	–	–	–	–	339
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	100	439	100	150	150	150	1,089
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



	Ms. Luk Siu Man, Semon HK\$'000	Mr. Wong Chi Fai HK\$'000	Ms. Fan Man Seung, Vanessa HK\$'000	Ms. Mok Fung Lin, Ivy HK\$'000	Ms. Chan Sim Ling, Irene HK\$'000	Ms. Chan Wiling, Yvonne HK\$'000	Ms. Wan Choi Ha HK\$'000	Total HK\$'000
2009								
Fees	-	153	153	153	229	229	229	1,146
Other emoluments								
Salaries and other benefits	-	-	-	-	-	-	-	-
Performance related incentive payment (note)	-	-	615	-	-	-	-	615
	<u>-</u>	<u>153</u>	<u>768</u>	<u>153</u>	<u>229</u>	<u>229</u>	<u>229</u>	<u>1,761</u>

*Note:* The performance related incentive payment is determined with reference to the operating results and individual performance.

(ii) **Employees' emoluments**

The five highest paid individuals does not include any director of the Company in both years. The total emoluments of the five highest paid individuals in both years were as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries and other benefits	6,998	6,624
Bonuses	3,595	4,180
	<u>10,593</u>	<u>10,804</u>

	Number of individuals	
	2010	2009
Emoluments of the employees were within the following bands:		
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	2	-
HK\$3,000,001 – HK\$3,500,000	1	2

No emolument was recognised or paid by the Group to the directors as compensation for loss of office for both years. No director had waived any emoluments during both years.

## (iii) Retirement benefit scheme

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of the independent trustees.

The employees of the Group's subsidiaries in Macau and the PRC are members of state-managed retirement benefit schemes operated by the Macau and PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

During the year, the retirement benefit scheme contributions were HK\$637,000 (2009: HK\$633,000).

## 12. TAXATION

	2010 HK\$'000	2009 HK\$'000
The charge (credit) comprises:		
Macau Complimentary Income Tax	31,106	17,319
Deferred taxation ( <i>note 27</i> )	146,032	(9,535)
	<u>177,138</u>	<u>7,784</u>

The Macau Complimentary Income Tax is calculated at the applicable rate of 12% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax have been made as there were no estimated assessable profits for both years.

The taxation for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	2010 HK\$'000	2009 HK\$'000
Profit before taxation	<u>833,044</u>	<u>5,709</u>
Tax charge at the Macau Complimentary Income Tax rate of 12% (2009: 12%)	99,965	685
Tax effect of expenses not deductible for tax purpose	12,557	10,314
Tax effect of income not taxable for tax purpose	(6,814)	(7,343)
Tax effect of tax losses not recognised	562	2,250
Deferred taxation previously not recognised	–	3,021
Effect of change in tax rate	–	(1,342)
Effect of different tax rates of subsidiaries operating in other jurisdictions	70,870	–
Others	(2)	199
Taxation for the year	<u>177,138</u>	<u>7,784</u>

## 13. DIVIDENDS

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim paid: HK\$0.025 per share (2009: Nil)	32,314	–
Final paid in respect of 2009: HK\$0.018 per share (2009: HK\$0.04 per share in respect of 2008)	23,266	40,449
	<u>55,580</u>	<u>40,449</u>

The board of directors proposed the payment of a final dividend of HK\$0.048 per share (2009: HK\$0.018 per share) for the year ended 31st March, 2010 which is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>EARNINGS</b>		
Earnings for the purpose of basic and diluted earnings per share	<u>587,278</u>	<u>28,852</u>
	<b>2010</b>	<b>2009</b>
<b>NUMBER OF SHARES</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,177,704,598</u>	<u>1,011,223,126</u>

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for issue of shares on 28th August, 2009.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares for 2010 and 2009 respectively.

## 15. INVESTMENT PROPERTIES

	2010		2009	
	Completed investment properties	Investment property under development	Total	Completed investment properties
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>FAIR VALUE</b>				
At 1st April	426,400	–	426,400	656,200
Exchange realignment	–	1,882	1,882	–
Reclassified from prepaid lease payments and property under development at 1st April (notes 17 and 18)	–	616,867	616,867	–
Additions	–	3,533	3,533	–
Transfer from prepaid lease payments and hotel property (note)	–	–	–	21,500
Transfer to hotel property	–	–	–	(112,000)
Increase (decrease) in fair value	21,400	547,718	569,118	(139,300)
At 31st March	<u>447,800</u>	<u>1,170,000</u>	<u>1,617,800</u>	<u>426,400</u>

*Note:* The amount in prior year included a revaluation gain of HK\$19,268,000 upon the transfer of prepaid lease payments and hotel property to investment properties which was credited to property revaluation reserve and minority interests.

The completed investment properties are situated in Macau and held under medium-term leases. The investment property under development is situated in the PRC and held under medium-term leases (the “Land”). Included in investment property under development as at 31st March, 2010 was net interest capitalised of HK\$21,372,000 (2009: HK\$21,372,000). No further interest was capitalised in 2009 and 2010 as all bank loans borrowed for the property development project had been repaid in prior years.

The fair values of the Group’s investment properties as at 31st March, 2010 have been arrived at on the basis of a valuation carried out on that date by Memfus Wong Surveyors Limited (2009: Colliers International (Hong Kong) Limited), an independent firm of professional property valuers not connected with the Group.

All investment properties are held for rental under operating leases or under development as properties held for rental purpose.

For completed investment properties, the valuation was arrived at with reference to market evidence of recent transaction prices for similar properties of HK\$241,600,000 (2009: HK\$209,800,000) and rental income using the applicable market yields for the respective locations and types of properties of HK\$206,200,000 (2009: HK\$216,600,000).

For investment property under development, as the site is in its initial stage of development and only the site preparation work had been completed at the end of the reporting period, the valuation has been arrived at adopting direct comparison approach with reference to comparable transactions in the locality for similar lands, taken into consideration the cost that has been incurred for land preparation and base construction.

**Litigation relating to the investment property under development in the PRC**

On 26th May, 2004, the Group entered into a joint venture agreement (“JV Agreement”) with Shenzhen Lianhe Jinhao Investment Development Co., Ltd. (now known as Shanghai Zhangxi Investment Development Co., Ltd.) (“JV Partner”) to jointly develop the Land. Under the JV Agreement, the Group would provide the Land, the JV Partner would bear the full construction cost and the saleable floor area would be split between the parties in equal shares. The Group and the JV Partner intend to develop the property into a commercial complex (“Project”). The Group has an option to put its interest in the Project to the JV Partner at a consideration of HK\$530,000,000 (“Put Option”). The option period is between (i) 18 months from the JV Partner taking possession of the Land and (ii) 30 months from the JV Partner taking possession of the Land or completion of the decoration of the common areas of the Project, whichever is the later (both months inclusive).

Under the terms of the JV Agreement, the Group has the right to terminate the JV Agreement and forfeit the JV Partner’s contribution to the Project if the JV Partner failed to settle overdue construction cost payment to contractors of more than RMB10,000,000 for more than 3 months. In view of the JV Partner’s failure to do so, the Group served a notice to the JV Partner to terminate the JV Agreement in October 2006. At that time, the JV Partner had contributed RMB27,130,000 (equivalent to HK\$30,857,000) towards the Project and incurred construction cost and other payables known to the Group totalling RMB56,490,000 (equivalent to HK\$64,250,000). The Group had since assumed the legal obligation to settle the outstanding payables incurred by the JV Partner in respect of the Project and recognised the amount paid by the Group as investment property under development. In addition, the Group had taken up the JV Partner’s contractual arrangements with regard to the construction of the Project which had not commenced and disclosed these contractual commitments in relation to the Project in note 32.

In October 2006, the Group commenced legal proceedings against the JV Partner in Shanghai, the PRC for termination of the JV Agreement, payment of the outstanding payables known to the Group at that time in the sum of RMB56,490,000 and forfeiture of the JV Partner’s contribution of RMB27,130,000. The latter sum has not been recognised as assets by the Group, pending the outcome of the legal proceedings.

In May 2010, the Shanghai No. 2 Intermediate People’s Court (the “Court”) completed its hearing of the case. Mediation to settle the dispute between the JV Partner and the Group was unsuccessful. The legal case is still in the progress up to the date these consolidated financial statements were authorised for issue. Details of the legal proceedings are set out in note 34(a).

The PRC lawyers representing the Group were of the view that it is probable for the Group to terminate the JV Agreement, in which event the JV Partner is unable to provide supportive rationale to the Court to support their counterclaim. Details of the counterclaim are set out in note 34(a).

## 16. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Others HK\$'000	Total HK\$'000
<b>COST</b>								
At 1st April, 2008	618,345	24,336	27,317	226,473	109,351	4,867	10,063	1,020,752
Exchange realignment	-	-	1	5	-	12	-	18
Transferred from investment properties	112,000	-	-	-	-	-	-	112,000
Transferred to investment properties	(1,583)	-	-	-	-	-	-	(1,583)
Additions	-	35,431	8,787	8,924	12,943	1,259	-	67,344
Disposals	-	-	-	(841)	-	-	-	(841)
At 31st March, 2009	728,762	59,767	36,105	234,561	122,294	6,138	10,063	1,197,690
Exchange realignment	-	-	-	1	-	2	-	3
Additions	-	-	36,391	9,534	2,552	1,541	-	50,018
Disposals	-	-	(613)	(304)	-	(202)	-	(1,119)
At 31st March, 2010	728,762	59,767	71,883	243,792	124,846	7,479	10,063	1,246,592
<b>DEPRECIATION</b>								
At 1st April, 2008	33,443	1,166	6,353	81,117	25,720	1,056	4,474	153,329
Exchange realignment	-	-	1	1	-	2	-	4
Transferred to investment properties	(109)	-	-	-	-	-	-	(109)
Provided for the year	16,249	1,494	4,389	38,667	13,370	1,056	2,011	77,236
Eliminated on disposal	-	-	-	(310)	-	-	-	(310)
At 31st March, 2009	49,583	2,660	10,743	119,475	39,090	2,114	6,485	230,150
Exchange realignment	-	-	-	-	-	1	-	1
Provided for the year	18,603	1,494	8,254	39,760	14,084	1,465	2,013	85,673
Eliminated on disposal	-	-	(613)	(228)	-	(37)	-	(878)
At 31st March, 2010	68,186	4,154	18,384	159,007	53,174	3,543	8,498	314,946
<b>CARRYING AMOUNTS</b>								
At 31st March, 2010	660,576	55,613	53,499	84,785	71,672	3,936	1,565	931,646
At 31st March, 2009	679,179	57,107	25,362	115,086	83,204	4,024	3,578	967,540

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Hotel property and buildings	Over the estimated useful lives of 40 years or the unexpired terms of the relevant lease, whichever is shorter
Leasehold improvements	10 – 20%
Furniture, fixtures and equipment	10 – 20%
Plant and machinery	10 – 20%
Motor vehicles	20%
Others	20%

The hotel property and buildings are located in Macau under medium-term lease.

#### 17. PREPAID LEASE PAYMENTS

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>COST</b>		
At 1st April	304,276	311,742
Exchange realignment	–	1,044
Reclassified to investment properties at 1st April ( <i>note 15</i> )	(45,905)	–
Transfer to investment properties ( <i>note 15</i> )	–	(758)
Release for the year	(6,446)	(6,456)
Capitalised under property under development	–	(1,296)
	<hr/>	<hr/>
At 31st March	<u>251,925</u>	<u>304,276</u>
	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
Leasehold land in Macau under medium-term lease	251,925	258,371
Leasehold land in the PRC under medium-term lease	–	45,905
	<hr/>	<hr/>
	<u>251,925</u>	<u>304,276</u>
Analysed for reporting purposes as follows:		
Non-current	245,479	296,534
Current	6,446	7,742
	<hr/>	<hr/>
	<u>251,925</u>	<u>304,276</u>

## 18. PROPERTY UNDER DEVELOPMENT

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>COST</b>		
At 1st April	570,962	554,215
Exchange realignment	–	11,883
Reclassified to investment properties at 1st April ( <i>note 15</i> )	(570,962)	–
Additions	–	3,568
Release of prepaid lease payments capitalised	–	1,296
	<hr/>	<hr/>
At 31st March	<u>–</u>	<u>570,962</u>

## 19. GOODWILL

	<i>HK\$'000</i>
<b>COST</b>	
At 1st April, 2008 and 31st March, 2009	72,938
Arising on acquisition of additional interest in a subsidiary ( <i>note</i> )	56,323
Impairment loss recognised	<u>(18,301)</u>
At 31st March, 2010	<u>110,960</u>

*Note:* The amount arose as a result of acquisition of additional 10% interest in Luck United, an indirect non-wholly owned subsidiary of the Company at an acquisition cost of HK\$225,690,000 on 28th August, 2009.

As at 31st March, 2010, the carrying amount of goodwill amounting to nil and HK\$110,960,000 (2009: HK\$18,301,000 and HK\$54,637,000) had been allocated to the property development project and the CGUs relating to the Group's gaming operation respectively.

During the year, the Group performed an impairment review for goodwill of the Group's gaming operation based on cash flow forecasts derived from the most recent financial budgets for the next five years and after the fifth year, the projections are extrapolated using a constant growth rate of 3% per annum for subsequent years. The recoverable amount of the CGU of the gaming operation is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The forecast is discounted using a discount rate of 13% (2009: 13%). The discount rates were determined with reference to weighted average cost of capital of similar companies in the industry adjusted for certain factors specific to the Group's gaming operation. The growth rates do not exceed the long-term average industry growth forecasts. Changes in selling prices and direct costs are based on past practices and the management's expectations of future changes in the market. There has been no significant change in the model and assumptions used by the management as compared to 2009.

In prior years, the Group performed impairment review for the goodwill allocated to the property development project in the PRC based on its fair value less cost to sell. Upon the adoption of amendments to HKAS 40, the property under development and the prepaid lease payment in relation to this project had been reclassified as an investment property under development and measured at fair value as at 1st April, 2009. The management considers that the recoverable amount of the property development project in the PRC had been reflected by the fair value measurement of the investment property under development, accordingly, full impairment loss of HK\$18,301,000 has been recognised in respect of the goodwill allocated to the property development project.



**20. TRADE AND OTHER RECEIVABLES**

The Group normally allows credit periods of up to 60 days to its trade customers, except for certain credit worthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period. An aged analysis of the Group's trade receivables (net of allowances) based on the date of credit granted at the end of the reporting period is set out below:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
0 – 30 days	94,156	94,999
31 – 60 days	22,447	39,218
61 – 90 days	7,930	1,464
91 – 180 days	8,648	11,370
Over 180 days	21,492	48,240
	<hr/>	<hr/>
Chips on hand	154,673	195,291
Other receivables	134,165	109,423
	<hr/>	<hr/>
	13,799	15,854
	<hr/>	<hr/>
	<b>302,637</b>	<b>320,568</b>
	<hr/> <hr/>	<hr/> <hr/>

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

The Group's trade receivable balances do not have debtor which was past due at the reporting date for which the Group has not provided for impairment loss. Included in the trade receivable balances are debtor balances of HK\$38,070,000 (2009: HK\$61,074,000) that would otherwise be past due or impaired have the terms not been renegotiated.

**Movement in the allowance for bad and doubtful debts**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
At 1st April	62,769	26,445
Impairment loss recognised	–	36,344
Amounts written off	–	(20)
	<hr/>	<hr/>
At 31st March	<b>62,769</b>	<b>62,769</b>
	<hr/> <hr/>	<hr/> <hr/>

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$62,769,000 (2009: HK\$62,769,000), since the management considered the prolonged outstanding balances from individual customers were in doubt. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of debtors and considers the debtors that are neither past due nor impaired to be of a good credit quality as continuous partial repayments are received from these debtors.

**21. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT**

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, and carry interests at prevailing market rates which range from 0% to 1.71% (2009: 0% to 4.05%) per annum.

Pledged bank deposit represents deposit pledged to bank to secure short-term banking facilities granted to the Group.

**22. TRADE AND OTHER PAYABLES**

An aged analysis of the Group's trade payables at the end of the reporting period is set out below:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
0 – 30 days	19,288	22,386
31 – 60 days	195	211
61 – 90 days	87	81
91 – 180 days	120	83
Over 180 days	116	179
	<hr/>	<hr/>
	19,806	22,940
Construction payables and accruals	182,470	186,917
Other payables and accruals	73,668	126,544
Short-term advance	15,000	15,000
	<hr/>	<hr/>
	<b>290,944</b>	<b>351,401</b>
	<hr/> <hr/>	<hr/> <hr/>

**23. AMOUNT DUE TO A FELLOW SUBSIDIARY**

The amount is due to a subsidiary of EIHL, the intermediate holding company and is unsecured, interest-free and repayable on demand.

**24. AMOUNTS DUE TO RELATED COMPANIES**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Interest-free amount ( <i>note (a)</i> )	–	2,755
Interest-free amounts ( <i>note (b)</i> )	–	45
	<hr/>	<hr/>
	–	2,800
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) The amount was due to a subsidiary of EIHL, a substantial shareholder of the Company.
- (b) The amounts were due to companies in which Dr. Yeung Sau Shing, Albert (“Dr. Albert Yeung”), the spouse of a director and a deemed substantial shareholder of the Company, has significant influence or is deemed to have significant influence.

The amounts were unsecured and repayable on demand.

## 25. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest-free amounts	279,362	357,402
Less: Amounts due within one year shown under current liabilities	(117,028)	(153,531)
Amounts due after one year	<u>162,334</u>	<u>203,871</u>

In accordance with the contractual terms of the shareholders' agreements, the interest-free amounts are to be repaid from surplus fund, which represents cash available in Luck United, an indirect non-wholly owned subsidiary, and its subsidiaries, after payment of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. Imputed interest on these advances had been computed at an original effective interest rate of 5% and a projection on the timing of realisation of surplus fund according to budget approved by the management of Luck United.

During the year, the Group partially repaid the principal of the interest-free shareholders' loans of HK\$10,000,000 (2009: HK\$32,500,000). The principal amount outstanding as at 31st March, 2010 was HK\$306,000,000 (2009: HK\$395,000,000). As at 31st March, 2010, the Group revised its estimates of repayments of the amounts due to minority shareholders of a subsidiary and adjusted the carrying amount of the amounts due to minority shareholders of a subsidiary in accordance with the revised estimated cash flows. The Group recalculated the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate. This resulted in a decrease of HK\$10,665,000 (2009: HK\$3,003,000) being adjusted to the carrying amount of minority interests in the current year.

In the opinion of the directors of the Company, the carrying amount of the amounts due to minority shareholders of HK\$162,334,000 (2009: HK\$203,871,000) is not expected to be repaid in the next twelve months based on the cash flow forecasts and the estimation on future surplus fund. Accordingly, the carrying amount of HK\$162,334,000 (2009: HK\$203,871,000) is shown as non-current.

## 26. SECURED BANK BORROWINGS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The bank borrowings are repayable as follows:		
Within one year or on demand	–	44,604
Between one to two years	–	45,972
Between two to three years	–	47,378
Between three to four years	–	33,604
	<u>–</u>	<u>171,558</u>
Less: Amounts due within one year shown under current liabilities	–	(44,604)
Amounts due after one year	<u>–</u>	<u>126,954</u>

As at 31st March, 2010, the Group has available unutilised banking facilities of HK\$100,000,000 (2009: HK\$100,000,000).

The bank borrowings carried interest at HIBOR + 2.1% (2009: HIBOR + 2.1%) per annum. The banking facilities (2009: bank borrowings and banking facilities) were secured by certain of the Group's assets. The values of these assets at the end of the reporting period were as follows:

	2010 HK\$'000	2009 HK\$'000
Hotel property	660,576	679,179
Investment properties	447,800	426,400
Prepaid lease payments	251,925	258,371
	<u>1,360,301</u>	<u>1,363,950</u>

## 27. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the year:

	Accelerated tax depreciation HK\$'000 (note)	Development costs capitalised HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000 (note)	Total HK\$'000
At 1st April, 2008	199	(5,533)	(71,636)	–	(76,970)
Deferred taxation charged directly to equity	–	–	(2,312)	–	(2,312)
(Charged) credited to profit or loss	(26,593)	–	16,716	18,070	8,193
Effect of change in tax rate	–	1,342	–	–	1,342
	<u>(26,394)</u>	<u>(4,191)</u>	<u>(57,232)</u>	<u>18,070</u>	<u>(69,747)</u>
At 31st March, 2009	(26,394)	(4,191)	(57,232)	18,070	(69,747)
Credited (charged) to profit or loss	8,094	–	(139,498)	(14,628)	(146,032)
	<u>(18,300)</u>	<u>(4,191)</u>	<u>(196,730)</u>	<u>3,442</u>	<u>(215,779)</u>

*Note:* The Macau tax authority granted a concessionary deduction to Pacific Strong Bases (Holding) Company Limited, an indirect non-wholly owned subsidiary of the Company in Macau, to claim deduction of depreciation allowance of its property, plant and equipment for tax purpose at a rate which is twice of the accounting depreciation. Deferred tax liability of HK\$18,300,000 (2009: HK\$26,394,000) has been recognised in respect to such accelerated tax depreciation. At the same time, deferred tax asset of HK\$3,442,000 (2009: HK\$18,070,000) has been recognised in respect to the tax losses arisen from the concessionary deduction.

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset.

As at 31st March, 2010, the Group had unused tax losses of HK\$114,538,000 (2009: HK\$235,376,000) available for offset against future profits. Deferred tax asset had been recognised in respect of HK\$28,683,000 (2009: HK\$150,583,000) of such loss. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$85,855,000 (2009: HK\$84,793,000) due to unpredictability of future profit streams. Included in unrecognised tax losses were losses of HK\$1,547,000, HK\$12,291,000 (2009: HK\$3,621,000, HK\$1,547,000 and HK\$12,291,000) that would expire in 2011 and 2012, respectively (2009: 2010, 2011 and 2012, respectively). The remaining tax losses might be carried forward indefinitely.

## 28. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>THE COMPANY</b>		
Ordinary shares of HK\$0.0001 each		
Authorised:		
At 1st April, 2008, 31st March, 2009, 1st April, 2009 and 31st March, 2010	2,000,000,000,000	200,000
Issued and fully paid:		
At 1st April, 2008, 31st March, 2009 and 1st April, 2009	1,011,223,126	101
Issue of shares ( <i>note</i> )	281,322,857	28
At 31st March, 2010	1,292,545,983	129

*Note:* On 7th July, 2009, Great Assets Holdings Limited (“Great Assets”), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Worthly Strong for the acquisition of 10% equity interest in Luck United together with the loan due from Luck United to Worthly Strong of HK\$72,983,000. The acquisition was satisfied by the issue and allotment of 281,322,857 shares of the Company at an issue price of HK\$0.70 per share as agreed between the parties and an amount of HK\$2,552,000 which was settled by way of cash payment. The issue and allotment of 281,322,857 shares of the Company to Worthly Strong was completed on 28th August, 2009 and the market price of the shares of the Company on the same date is HK\$0.79 per share. The shares issued rank pari passu in all respects with the existing shares of the Company. Upon the completion of the acquisition, Luck United changed from a 50% owned subsidiary to a 60% owned subsidiary of the Group. Details of the transaction were disclosed in the circular issued by the Company dated 11th August, 2009. Total consideration of the acquisition amounted to HK\$225,690,000, which comprised the fair value of the Company’s shares issued on 28th August, 2009 of HK\$222,245,000, cash of HK\$2,552,000 and expenses directly attributable to the acquisition of HK\$893,000.

## 29. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 2nd September, 2002 (the “Adoption Date”), the primary purpose of which is to provide incentives or rewards to participants including the directors and eligible employees of the Group.

Under the Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any participants to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing prices of the Company’s shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share. The total number of shares in respect of which options may be granted under the Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

On 11th August, 2005, a total of 10,000,000 share options were granted to two directors of the Company at an exercise price of HK\$2.20 under the terms of the Scheme. The options were vested immediately at the date of grant.

The outstanding shares options, which were granted to the directors of the Company under the Scheme are as follows:

<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price HK\$</b>	<b>Number of options outstanding as at 1st April, 2008, 31st March, 2009 and 31st March, 2010</b>
11th August, 2005	11th August, 2005 – 10th August, 2015	2.20	10,000,000

During the year, no share options were granted under the Scheme by the Company.

### 30. RESERVES

- (a) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's share capital issued as consideration for the acquisition.
- (b) As stipulated by the relevant laws and regulations in the Macau Special Administrative Region, certain subsidiaries of the Company are required to set aside 25% of their profit for the year to a legal reserve until the legal reserve has reached 50% of their registered capital. No appropriation was made in 2009 and 2010 as the legal reserve of those subsidiaries has already reached 50% of their respective registered capital.

### 31. MINORITY INTERESTS

Included in minority interests as at 31st March, 2010 was a deemed contribution by minority shareholders of HK\$100,771,000 (2009: HK\$112,632,000), arising from adjustment of fair value at initial recognition and subsequent measurement (see note 25 for details) of certain loans from the minority shareholders of a subsidiary which agreed to contribute interest-free shareholders' loans in accordance with their shareholdings.

### 32. COMMITMENTS

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Authorised but not contracted for in respect of:		
– investment property under development	713,591	–
– property under development	–	2,486
	<u>713,591</u>	<u>2,486</u>
Contracted for but not provided in the consolidated financial statements, net of deposits paid, in respect of:		
– investment property under development	401,895	–
– property under development	–	414,486
– property, plant and equipment	13,089	400
	<u>414,984</u>	<u>414,886</u>
	<u><u>1,128,575</u></u>	<u><u>417,372</u></u>

## 33. OPERATING LEASE COMMITMENTS

**The Group as lessee**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Operating lease rentals paid and payable for the year in respect of rented premises	3,001	4,197

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Within one year	2,170	1,634
In the second to fifth year inclusive	524	2,120
	<u>2,694</u>	<u>3,754</u>

The leases were negotiated for terms ranging from 1 and 2 years and the rentals are pre-determined and fixed.

**The Group as lessor**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Operating lease rentals received and receivable for the year in respect of completed investment properties	29,389	36,671

At the end of the reporting period, the Group had contracted with tenants to receive the following future minimum lease payments in respect of premises in the completed investment properties in Macau, which fall due as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Within one year	16,990	35,648
In the second to fifth year inclusive	27,353	121,050
After five years	–	115,200
	<u>44,343</u>	<u>271,898</u>

Certain premises in the Group's completed investment properties have committed tenants for the tenancy ranging from 1 to 3 years (2009: 1 to 14 years) and the rentals are pre-determined and fixed.

## 34. CONTINGENT LIABILITIES

- (a) In October 2006, the Group commenced legal proceedings against the JV Partner in Shanghai, the PRC, for termination of the JV Agreement in respect of the development of the Group's property in Shanghai as a result of the JV Partner's failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. The Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the project and further contribution by the JV Partner of outstanding payment and construction costs totalling RMB83,620,000 (equivalent to HK\$95,107,000). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100,000,000 (equivalent to HK\$113,737,000) as damages for breach of the JV Agreement. The PRC lawyers representing the Group were of the view that it is probable for the Group to terminate the JV Agreement, and the JV Partner's counterclaim would not be supported by the court. Therefore, no provision was made by the Group. The legal case is still in the progress as at the date these consolidated financial statements were authorised for issue.
- (b) In January 2007, the Group was sued jointly with its contractor for MOP3,500,000 (equivalent to HK\$3,352,000) for injuries suffered by a third party in an accident which happened in 2005 in the premises of the Grand Emperor Hotel when the hotel was under renovation. The ultimate outcome of the case is not determinable at this stage. No provision was made by the Group as the Group is of the view that the contractor and its insurer should be responsible for paying any damages awarded to the plaintiff.

## 35. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed in note 28, the Group also had the following significant transactions with related parties:

	2010 HK\$'000	2009 HK\$'000
Advertising expenses to related companies	316	375
Commission to Dr. Albert Yeung, a deemed substantial shareholder of the Company in the capacity of a patron of the Group's VIP rooms	2,672	2,031
Hotel room income from related companies	401	413
Professional fee expenses to related companies	478	418
Purchase of property, plant and equipment and merchandising goods from related companies	1,191	864
Reimbursement of administrative expenses paid by a fellow subsidiary	5,232	–
Reimbursement of administrative expenses paid by a related company	3,369	8,800
Rental income from related companies	3,940	3,563
Secretarial fee expenses to a related company	225	250
	<u>          </u>	<u>          </u>

*Note:* Certain directors, key management personnel and a deemed substantial shareholder of the Company have significant influence or are deemed to have significant influence in the above related companies.

- (b) The key management personnel of the Company are the directors of the Company. The details of the remunerations paid to them are set out in note 11.



## 36. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2009 and 2010, were as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Group's attributable equity interest				Principal activities
				Directly		Indirectly		
				2010 %	2009 %	2010 %	2009 %	
Affluent Travel Services Limited	Hong Kong	Hong Kong	HK\$500,000	-	-	60	-	Provision of travel agency services
Asian Glory Limited	Macau	Macau	MOP25,000	-	-	60	50*	Property holding
Big Capital International Limited	British Virgin Islands	Macau	US\$1	-	-	60	50*	Slot machine hall operation***
Emperor Entertainment Hotel Management Limited	Macau	Macau	MOP25,000	-	-	60	50*	Provision of project financing services
Emperor (Shanghai) Co., Ltd. 英皇 (上海) 有限公司	PRC – wholly-owned foreign investment enterprise	PRC	US\$45,000,000 **	-	-	100	100	Property development
Great Assets	British Virgin Islands	Macau	US\$50	-	-	100	100	Investment holding
Keen Million Limited	British Virgin Islands	Macau	US\$1	-	-	60	50*	Mass market operation
Lavergem Holdings Limited	British Virgin Islands	Hong Kong	US\$1	100	100	-	-	Investment holding
Luck United	British Virgin Islands	Macau	US\$10,000	-	-	60	50*	Investment holding
Pacific Strong Bases (Holding) Company Limited	Macau	Macau	MOP500,000	-	-	60	50*	Hotel operation
Precision Faith Limited	Macau	Macau	MOP100,000	-	-	100	100	VIP room operation and provision of gaming-related marketing and public relation services

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Group's attributable equity interest				Principal activities
				Directly		Indirectly		
				2010 %	2009 %	2010 %	2009 %	
Right Achieve Limited	British Virgin Islands	Macau	US\$1	-	-	60	50*	Investment holding
Super Park Internation Company Limited	Macau	Macau	MOP25,000	-	-	60	50*	Holding and leasing of motor vehicles
Tin Hou Limited	Macau	Macau	MOP25,000	-	-	100	-	Provision of management and promotion services for gaming operation

\* These companies are wholly-owned subsidiaries of Luck United. Luck United was regarded as a subsidiary of the Company in 2009 as the Group has control on the board of directors of Luck United. As stipulated in the shareholders' agreements, Great Assets, the immediate holding company of Luck United, shall have the right to appoint up to five directors and each of the other four minority shareholders shall have the right to appoint one director to the board.

\*\* The registered capital and contributed capital of Emperor (Shanghai) Co., Ltd. 英皇（上海）有限公司 is US\$45,000,000 (2009: US\$45,000,000).

\*\*\* The company engaged in the Group's slot machine hall operation during the year ended 31st March, 2009 and has become inactive after the Group's restructuring in April 2009.

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2009 and 31st March, 2010.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

### 3. FINANCIAL INFORMATION ON EEH GROUP FOR SIX MONTHS ENDED 30 SEPTEMBER 2010

#### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	Notes	Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	3	618,143	417,684
Cost of sales		(15,169)	(14,785)
Cost of hotel and gaming operations		(170,870)	(103,576)
Gross profit		432,104	299,323
Other income		4,807	4,048
Gain (loss) on fair value change in investment properties		63,207	(2,800)
Selling and marketing expenses		(174,576)	(137,731)
Administrative expenses		(66,187)	(60,329)
Finance costs		(7,057)	(10,774)
Profit before taxation	5	252,298	91,737
Taxation	6	(34,989)	(13,060)
Profit for the period	4	<u>217,309</u>	<u>78,677</u>
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		7,522	424
Other comprehensive income for the period (net of tax)		<u>7,522</u>	<u>424</u>
Total comprehensive income for the period		<u>224,831</u>	<u>79,101</u>
Profit for the period attributable to:			
Owners of the Company		170,020	51,275
Minority interests		47,289	27,402
		<u>217,309</u>	<u>78,677</u>
Total comprehensive income attributable to:			
Owners of the Company		177,542	51,699
Minority interests		47,289	27,402
		<u>224,831</u>	<u>79,101</u>
Earnings per share	7		
– Basic and diluted		<u>HK\$0.13</u>	<u>HK\$0.05</u>

**Condensed Consolidated Statement of Financial Position***As at 30 September 2010*

		As at	
		<b>30 September 2010</b>	<b>31 March 2010</b>
		(Unaudited)	(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	9	1,692,100	1,617,800
Property, plant and equipment	9	1,158,739	1,183,571
Deposits paid for acquisition of property, plant and equipment		3,985	5,257
Goodwill		110,960	110,960
		<u>2,965,784</u>	<u>2,917,588</u>
Current assets			
Inventories, at cost		6,443	6,741
Trade and other receivables	10	354,060	302,637
Pledged bank deposit		300	300
Bank balances and cash		720,956	573,398
		<u>1,081,759</u>	<u>883,076</u>
Current liabilities			
Trade and other payables	11	355,423	290,944
Amount due to a fellow subsidiary		–	2,435
Amounts due to minority shareholders of a subsidiary		100,477	117,028
Taxation payable		116,382	96,686
		<u>572,282</u>	<u>507,093</u>
Net current assets		<u>509,477</u>	<u>375,983</u>
Total assets less current liabilities		<u>3,475,261</u>	<u>3,293,571</u>
Non-current liabilities			
Amounts due to minority shareholders of a subsidiary		166,435	162,334
Deferred taxation		231,072	215,779
		<u>397,507</u>	<u>378,113</u>
		<u>3,077,754</u>	<u>2,915,458</u>
Capital and reserves			
Share capital		129	129
Reserves		2,587,491	2,471,991
Equity attributable to owners of the Company		<u>2,587,620</u>	<u>2,472,120</u>
Minority interests		490,134	443,338
		<u>3,077,754</u>	<u>2,915,458</u>

**Condensed Consolidated Statement of Changes in Equity (Unaudited)***For the six months ended 30 September 2010*

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
As at 1 April 2009	101	188,585	668	828,134	8,478	3,964	287	61,972	624,657	1,716,846	460,429	2,177,275
Profit for the period	-	-	-	-	-	-	-	-	51,275	51,275	27,402	78,677
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	424	-	424	-	424
Total comprehensive income for the period	-	-	-	-	-	-	-	424	51,275	51,699	27,402	79,101
Issue of shares	28	222,217	-	-	-	-	-	-	-	222,245	-	222,245
Arising on acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(96,385)	(96,385)
Deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	15,991	15,991
2009 final dividend paid in cash	-	-	-	(23,266)	-	-	-	-	-	(23,266)	-	(23,266)
As at 30 September 2009	129	410,802	668	804,868	8,478	3,964	287	62,396	675,932	1,967,524	407,437	2,374,961
As at 1 April 2010	129	410,802	668	772,554	8,478	3,964	287	63,303	1,211,935	2,472,120	443,338	2,915,458
Profit for the period	-	-	-	-	-	-	-	-	170,020	170,020	47,289	217,309
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	7,522	-	7,522	-	7,522
Total comprehensive income for the period	-	-	-	-	-	-	-	7,522	170,020	177,542	47,289	224,831
Reversal of deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(493)	(493)
2010 final dividend paid in cash	-	-	-	(62,042)	-	-	-	-	-	(62,042)	-	(62,042)
As at 30 September 2010	129	410,802	668	710,512	8,478	3,964	287	70,825	1,381,955	2,587,620	490,134	3,077,754

**Condensed Consolidated Statement of Cash Flows***For the six months ended 30 September 2010*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	251,455	181,852
Net cash used in investing activities	(22,228)	(26,078)
Net cash used in financing activities	(82,042)	(200,890)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	147,185	(45,116)
Cash and cash equivalents at the beginning of the period	573,398	527,380
Effect of foreign exchange rate changes	373	2
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period		
Bank balances and cash	720,956	482,266
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Condensed Consolidated Financial Statements

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which were adjusted to fair value at initial recognition and investment properties which are measured at fair values, 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 2010, except as described below.

In the Period, the Group has applied, for the first time, certain new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 April 2010.

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the Period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of the improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and the Group presented leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement that leasehold land must be classified as operating leases. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, i.e. whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The amendment to HKAS 17 requires the Group to reassess the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of these leases. Certain property leases were therefore reclassified from operating leases to finance leases retrospectively in accordance with the transitional provisions set out in the amendment. As this is a change in classification, the comparative figure as at 31 March 2010 amounting to HK\$251,925,000 in the Group’s consolidated statement of financial position is reclassified from prepaid lease payments to property, plant and equipment. The application of the amendment has had no significant financial impact to the Group’s consolidated income statements for the current and prior periods.

The application of other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

### 3. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2010 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>
Service income from gaming operation in VIP rooms	211,488	118,309
Service income from gaming operation in mass market halls	312,835	189,924
Service income from gaming operation in slot machine hall	20,389	16,421
Hotel room income	27,442	29,659
Marketing and promotion income	–	14,462
Food and beverage sales	32,438	29,366
Rental income from investment properties	11,445	17,738
Others	2,106	1,805
	618,143	417,684
	618,143	417,684

### 4. SEGMENT INFORMATION

Segment information has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker.

The segment information reported to the Executive Directors is focused on individual unit of operation. For gaming operation, the Executive Directors regularly analyse gaming revenue in terms of service income from VIP rooms, mass market halls and slot machine hall. No operating results nor discrete financial information is presented to the Executive Directors in relation to the above analyses. The Executive Directors review the revenues and operating results of gaming operation as a whole. The Group is currently organised into operating segments as follows: gaming operation, hotel operation and property development.

Principal activities of the operating segments are as follows:

Gaming operation	–	Mass market halls, slot machine hall and VIP room operations and provision of gaming-related marketing and public relation services in the casino of the Grand Emperor Hotel in Macau
Hotel operation	–	Hotel operation in the Grand Emperor Hotel in Macau
Property development	–	Development of multi-storey shopping arcade and hotel/service apartment complex in Shanghai, The People's Republic of China (the "PRC")

The Executive Directors assess the performance of individual operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation, central administration costs and gain/loss on fair value changes of investment properties (the "Adjusted EBITDA").

Inter-segment revenue are charged at prevailing market rate.

The Group's revenue and results by operating segments for the periods under review is set out below. Amounts reported for the prior period have been restated to conform to current period's presentation.



## For the six months ended 30 September 2010

	Gaming operation (Unaudited) HK\$'000	Hotel operation (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Elimination (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
REVENUE						
External revenue	544,712	73,431	–	618,143	–	618,143
Inter-segment revenue	–	2,311	–	2,311	(2,311)	–
Total	<u>544,712</u>	<u>75,742</u>	<u>–</u>	<u>620,454</u>	<u>(2,311)</u>	<u>618,143</u>
Segment result based on the Adjusted EBITDA	<u>234,014</u>	<u>35,582</u>	<u>(3,559)</u>	<u>266,037</u>		266,037
Bank interest income						1,187
Depreciation of property, plant and equipment						(49,149)
Gain on fair value change in investment properties						63,207
Imputed interest expense on amounts due to minority shareholders of a subsidiary						(7,057)
Unallocated corporate expenses						(21,927)
Profit before taxation						252,298
Taxation						(34,989)
Profit for the period						<u>217,309</u>

## For the six months ended 30 September 2009

	Gaming operation (Unaudited) HK\$'000	Hotel operation (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Elimination (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
REVENUE						
External revenue	339,116	78,568	–	417,684	–	417,684
Inter-segment revenue	–	2,311	–	2,311	(2,311)	–
Total	<u>339,116</u>	<u>80,879</u>	<u>–</u>	<u>419,995</u>	<u>(2,311)</u>	<u>417,684</u>
Segment result based on the Adjusted EBITDA	<u>133,487</u>	<u>38,152</u>	<u>(1,354)</u>	<u>170,285</u>		170,285
Bank interest income						333
Depreciation of property, plant and equipment						(44,582)
Loss on fair value change in investment properties						(2,800)
Imputed interest expense on amounts due to minority shareholders of a subsidiary						(8,708)
Other finance costs						(2,066)
Unallocated corporate expenses						(20,725)
Profit before taxation						91,737
Taxation						(13,060)
Profit for the period						<u>78,677</u>

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the Executive Directors for review.

## 5. PROFIT BEFORE TAXATION

	<b>Six months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Commission expenses in gaming operations (included in selling and marketing expenses)	158,569	89,494
Depreciation of property, plant and equipment	49,149	44,582
Loss on disposal of property, plant and equipment	111	82
and after crediting:		
Interest income from bank deposits	<u>1,187</u>	<u>333</u>

## 6. TAXATION

	<b>Six months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
The charge comprises:		
Macau Complimentary Income Tax	19,696	9,862
Deferred taxation	<u>15,293</u>	<u>3,198</u>
	<u>34,989</u>	<u>13,060</u>

The Macau Complimentary Income Tax is calculated at the applicable rate of 12% of the estimated assessable profits for both periods.

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax have been made as there were no estimated assessable profits for both periods.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	<u>170,020</u>	<u>51,275</u>
	<b>Six months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,292,545,983</u>	<u>1,061,953,477</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the Company's shares for both periods.

**8. DIVIDEND**

A dividend of HK\$0.048 per share with an aggregate amount of approximately HK\$62,042,000 was paid to the shareholders of the Company during the Period as the final dividend of 2009/2010. A dividend of HK\$0.018 per share with an aggregate amount of approximately HK\$23,266,000 was paid to the shareholders of the Company during the corresponding period in 2009 as the final dividend of 2008/2009.

The Board recommended to pay an interim dividend of HK\$0.04 per share for the financial year ending 31 March 2011 (2009/2010: HK\$0.025 per share) and seek the approval by the shareholders of the Company at the forthcoming special general meeting to be convened by the Board.

**9. MOVEMENTS OF INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**

An analysis of movements of the assets of the Group is as follows:

	<b>Investment properties</b> (Unaudited) <i>HK\$'000</i>	<b>Property, plant and equipment</b> (Unaudited) <i>HK\$'000</i>
CARRYING AMOUNTS		
As at 1 April 2010, as previously reported	1,617,800	931,646
Effect of adoption of HKAS 17 (Amendment) (note 2)	–	251,925
	<hr/>	<hr/>
As at 1 April 2010, as restated	1,617,800	1,183,571
Exchange realignment	10,827	7
Additions	266	24,428
Disposals	–	(118)
Depreciation	–	(49,149)
Increase in fair value	63,207	–
	<hr/>	<hr/>
As at 30 September 2010	<u>1,692,100</u>	<u>1,158,739</u>

**10. TRADE AND OTHER RECEIVABLES**

The Group normally allows credit periods of up to 60 days to its trade customers, except for certain worthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period. An aged analysis of the Group's trade receivables (net of allowances) based on the date of credit granted at the end of the reporting period is set out below:

	<b>As at 30 September 2010</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2010</b> (Audited) <i>HK\$'000</i>
0 – 30 days	151,493	94,156
31 – 60 days	8,521	22,447
61 – 90 days	7,843	7,930
91 – 180 days	11,010	8,648
Over 180 days	29,740	21,492
	<hr/>	<hr/>
Chips on hand	208,607	154,673
Other receivables	135,171	134,165
	<hr/>	<hr/>
	<u>10,282</u>	<u>13,799</u>
	<hr/>	<hr/>
	<u>354,060</u>	<u>302,637</u>

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

**11. TRADE AND OTHER PAYABLES**

An aged analysis of the Group's trade payables at the end of the reporting period is set out below:

	<b>As at 30 September 2010</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2010</b> (Audited) <i>HK\$'000</i>
0 – 30 days	21,178	19,288
31 – 60 days	599	195
61 – 90 days	172	87
91 – 180 days	133	120
Over 180 days	73	116
	<hr/>	<hr/>
	22,155	19,806
Construction payables and accruals	183,531	182,470
Other payables and accruals	134,737	73,668
Short-term advances	15,000	15,000
	<hr/>	<hr/>
	<b>355,423</b>	<b>290,944</b>

**12. COMMITMENTS**

	<b>As at 30 September 2010</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2010</b> (Audited) <i>HK\$'000</i>
Authorised but not contracted for in respect of:		
– investment property under development	726,325	713,591
	<hr/>	<hr/>
Contracted for but not provided in the consolidated financial statements, net of deposits paid, in respect of:		
– investment property under development	409,250	401,895
– property, plant and equipment	3,665	13,089
	<hr/>	<hr/>
	412,915	414,984
	<hr/>	<hr/>
	<b>1,139,240</b>	<b>1,128,575</b>

**13. CONTINGENT LIABILITIES**

- (a) In October 2006, the Group commenced legal proceedings against the JV Partner in Shanghai, the PRC, for termination of the JV Agreement in respect of the development of the Group's property in Shanghai as a result of the JV Partner's failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. The Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the project and further contribution by the JV Partner of outstanding payment and construction costs totaling approximately RMB83,620,000 (equivalent to HK\$96,840,000). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100,000,000 (equivalent to HK\$115,809,000) as damages for breach of the JV Agreement. The PRC lawyers representing the Group were of the view that it is probable for the Group to terminate the JV Agreement, and the JV Partner's counterclaim would not be supported by the court. Therefore, no provision was made by the Group. The legal case was still in the progress as at the date these condensed consolidated financial statements were authorised for issue.
- (b) In January 2007, the Group was sued jointly with its contractor for approximately MOP3,500,000 (equivalent to HK\$3,352,000) for injuries suffered by a third party in an accident happened in 2005 in the premises of the Hotel when the Hotel was under renovation. The insurance company of the contractor has recently agreed to pay the plaintiff MOP1,200,000 (equivalent to HK\$1,165,000) in full settlement of the plaintiff's claim and thus no provision was made by the Group.

## 14. PLEDGE OF ASSETS

Certain assets of the Group were pledged to a bank as security for unutilised banking facility available to the Group. The carrying values of these assets at the end of the reporting period were as follows:

	<b>As at 30 September 2010</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2010</b> (Restated) <i>HK\$'000</i>
Hotel property	900,040	912,501
Investment properties	463,600	447,800
	<u>1,363,640</u>	<u>1,360,301</u>

## 15. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 September 2010</b> (Unaudited) <i>HK\$'000</i>	<b>2009</b> (Unaudited) <i>HK\$'000</i>
Advertising expenses to related companies	166	138
Commission to Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"), a deemed substantial shareholder of the Company, in the capacity of a patron of the Group's VIP rooms	388	1,482
Professional fee expenses to related companies	180	298
Purchase of property, plant and equipment and merchandising goods from related companies	271	922
Reimbursement of administrative expenses paid by a fellow subsidiary	2,890	655
Reimbursement of administrative expenses paid by a related company	–	3,421
Rental income from a related company	1,970	1,970
	<u>1,970</u>	<u>1,970</u>

*Note:* Certain Directors, key management personnel and a deemed substantial shareholder of the Company have significant influence or are deemed to have significant influence in the above related companies.

(b) The key management personnel of the Company are the Directors of the Company. The remuneration paid to them during the Period was as follows:

	<b>Six months ended 30 September 2010</b> (Unaudited) <i>HK\$'000</i>	<b>2009</b> (Unaudited) <i>HK\$'000</i>
Short-term benefits	375	587
	<u>375</u>	<u>587</u>

**4. INDEBTEDNESS**

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, EEH Group had outstanding borrowings of approximately HK\$286 million, comprising the contractual amounts due to minority shareholders of a subsidiary.

EEH Group had outstanding legal cases as at 30 November 2010, details of which are set out under the section headed “Litigation” in Appendix VII to this Composite Document.

Save as disclosed above and otherwise mentioned herein, and apart from intra-group liabilities, none of the members of EEH Group had, at the close of business on 30 November 2010, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

**5. MATERIAL CHANGES**

The EEH Directors confirm that as at the Latest Practicable Date, save as the proposed disposal of Expert Pearl Group which is expected to be completed in February 2011 which affect the outlook of EEH Group, there was no material change in the financial or trading position or outlook of EEH Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of EEH Group were made up.

**6. FINANCIAL AND TRADING PROSPECT OF EEH GROUP**

Following the disposal of Expert Pearl, EEH Group can then be more focused on its provision of entertainment and hospitality services in Macau.

With the rapid expansion of China’s economy, the levels of tourism and income per capita will be the key drivers of the gaming industry in Macau. In light of the various large-scale infrastructure and transportation projects including ferry terminal and rail transit carried out by the Macau Government, it is expected that the number of visitors will continue to grow in the coming years and thus providing a positive impact on the revenue of EEH Group.

The EEH Directors confirm that there was no material change in the indebtedness status of EEH Group since 30 November 2010 up to the Latest Practicable Date.

EEH Group is ready to capitalise on the huge market potential. Leveraging the prestigious reputation of “Emperor” among Chinese communities, EEH Group will strengthen its marketing efforts, implement effective management strategies, and enhance its operating efficiencies to boost its market share.

Looking forwards, EEH Group will strengthen its existing operations and enhancing cost efficiency. EEH Group will also look for new business opportunities and investments so as to diversify its business and strengthen its income base.

**1. SUMMARY OF FINANCIAL INFORMATION ON EIHL GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2008, 2009 AND 2010**

The following is a summary of the unaudited consolidated financial information of EIHL for the six months ended 30 September 2010 as extracted from the interim report of EIHL 2010/11 and the audited consolidated financial information of EIHL for each of the three years ended 31 March 2008, 2009 and 2010 as extracted from the annual reports of EIHL. EIHL's auditor, Deloitte Touche Tohmatsu, has not issued a qualified opinion on EIHL Group's consolidated financial statements for each of the three years ended 31 March 2008, 2009 and 2010. There were no extraordinary or exceptional items for the three years ended 31 March, 2008, 2009 and 2010 respectively.

**Results**

	<b>Six months ended</b>	<b>Year ended 31 March</b>		
	<b>30 September 2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(unaudited)	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	833,870	1,449,773	348,170	1,765,213
Profit (loss) before taxation	1,349,138	3,334,910	(1,683,331)	1,447,428
Taxation	(233,514)	(410,052)	145,915	(129,663)
Profit (loss) for the year	<u>1,115,624</u>	<u>2,924,858</u>	<u>(1,537,416)</u>	<u>1,317,765</u>
Attributable to:				
Equity holders of EIHL	997,244	2,798,005	(1,536,985)	1,317,917
Minority interests	118,380	126,853	(431)	(152)
	<u>1,115,624</u>	<u>2,924,858</u>	<u>(1,537,416)</u>	<u>1,317,765</u>
Final dividend 2007	–	–	–	106,515
Interim dividend 2008	–	–	–	71,010
Final dividend 2008	–	–	110,065	–
Interim dividend 2010	–	94,479	–	–
Final dividend 2010	118,732	–	–	–
Dividends paid	<u>118,732</u>	<u>94,479</u>	<u>110,065</u>	<u>177,525</u>
Dividends per share	<u>HK\$0.04</u>	<u>HK\$0.03</u>	<u>HK\$0.06</u>	<u>HK\$0.10</u>
Earnings (loss) per share				
Basic	<u>HK\$0.34</u>	<u>HK\$1.44</u>	<u>(HK\$0.87)</u>	<u>HK\$0.79</u>
Diluted	<u>HK\$0.34</u>	<u>HK\$1.16</u>	<u>(HK\$0.87)</u>	<u>HK\$0.79</u>

**Asset, liabilities and minority interests**

	<b>As at</b>		<b>As at 31 March</b>	
	<b>30 September 2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(unaudited)	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	21,986,278	19,281,613	10,640,067	10,920,846
Total liabilities	10,369,044	8,761,913	5,848,101	4,520,353
Equity attributable to				
equity holders of EIHL	10,001,370	8,998,538	4,792,264	6,400,423
Minority interests	1,615,864	1,521,162	(298)	70



## 2. FINANCIAL INFORMATION ON EIHL GROUP FOR THE YEAR ENDED 31 MARCH 2010

**Consolidated Statement of Comprehensive Income***For the year ended 31st March, 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Revenue	7	1,449,773	348,170
Cost of sales		(231,348)	–
Cost of hotel and hotel related operations		(238,685)	(28,607)
Direct operating expenses		(15,161)	(16,027)
		<hr/>	<hr/>
Gross profit		964,579	303,536
Other income	9	23,967	10,582
Fair value change in investment properties		2,460,495	(1,586,109)
Reversal (recognition) of impairment losses	10	25,333	(172,120)
Selling and marketing expenses		(159,995)	(11,690)
Administrative expenses		(180,347)	(117,416)
Write back of allowance for bad and doubtful debts of trade and other receivables, net		416	197
Finance costs	11	(107,648)	(122,932)
Share of results of associates		184,942	12,621
Discount on acquisition of subsidiaries	42	102,552	–
Discount on acquisition of additional interest in subsidiaries	42	20,616	–
		<hr/>	<hr/>
Profit (loss) before taxation	12	3,334,910	(1,683,331)
Taxation (charge) credit	14	(410,052)	145,915
		<hr/>	<hr/>
Profit (loss) for the year		<u>2,924,858</u>	<u>(1,537,416)</u>
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign subsidiaries		3,942	31,646
Share of other comprehensive income of an associate			
– Translation difference		152	2,922
– Asset revaluation surplus		–	3,682
Asset revaluation surplus	42	28,784	–
Effect of change in tax rate		–	455
		<hr/>	<hr/>
Other comprehensive income for the year (net of tax)		<u>32,878</u>	<u>38,705</u>
		<hr/>	<hr/>
Total comprehensive income (expense) for the year		<u>2,957,736</u>	<u>(1,498,711)</u>

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		2,798,005	(1,536,985)
Minority interests		126,853	(431)
		<u>2,924,858</u>	<u>(1,537,416)</u>
Total comprehensive income (expense) attributable to:			
Owners the Company		2,830,464	(1,498,326)
Minority interests		127,272	(385)
		<u>2,957,736</u>	<u>(1,498,711)</u>
Earnings (loss) per share	16		
Basic		<u>HK\$1.44</u>	<u>(HK\$0.87)</u>
Diluted		<u>HK\$1.16</u>	<u>(HK\$0.87)</u>

**Consolidated Statement of Financial Position**

At 31st March, 2010

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	17	13,332,798	6,180,610
Property, plant and equipment	18	1,187,133	293,298
Properties under development	19	–	831,914
Deposits paid for acquisition of investment properties/property, plant and equipment		60,731	32,830
Prepaid lease payments	20	598,738	734,067
Interests in associates	21	142	800,462
Amount due from an associate	22	2,645	2,645
Deposits in designated bank account for development properties	31	198,892	220,934
Loans receivable	23	1,784	1,862
Goodwill	24	56,683	1,940
Other assets	25	4,442	4,442
		<u>15,443,988</u>	<u>9,105,004</u>
<b>Current assets</b>			
Inventories	26	7,343	543
Properties held for sale	27	18,467	27,055
Properties under development	28	2,460,641	1,019,476
Prepaid lease payments	20	13,359	14,550
Trade and other receivables	29	445,226	140,295
Investments in trading securities	30	1	90
Taxation recoverable		32	10,293
Pledged bank deposit	32	300	–
Bank balances and cash	32	892,256	322,761
		<u>3,837,625</u>	<u>1,535,063</u>
<b>Current liabilities</b>			
Trade and other payables	33	695,875	748,905
Amount due to a related company	34	–	1,880,980
Amount due to an associate	22	–	3
Amounts due to minority shareholders of subsidiaries	35	136,532	19,504
Taxation payable		159,053	4,320
Secured bank borrowings – due within one year	36	1,797,350	1,226,529
		<u>2,788,810</u>	<u>3,880,241</u>
Net current assets (liabilities)		<u>1,048,815</u>	<u>(2,345,178)</u>
Total assets less current liabilities		<u>16,492,803</u>	<u>6,759,826</u>

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Non-current liabilities			
Amount due to a related company	34	1,697,876	–
Amounts due to minority shareholders of subsidiaries	35	162,334	–
Secured bank borrowings – due after one year	36	3,433,336	1,794,586
Deferred taxation	37	679,557	173,274
		<u>5,973,103</u>	<u>1,967,860</u>
		<u>10,519,700</u>	<u>4,791,966</u>
Capital and reserves			
Share capital	38	29,683	17,752
Reserves		8,968,855	4,774,512
		<u>8,998,538</u>	<u>4,792,264</u>
Equity attributable to the owners of the Company		8,998,538	4,792,264
Minority interests		1,521,162	(298)
		<u>10,519,700</u>	<u>4,791,966</u>

**Consolidated Statement of Changes in Equity***For the year ended 31st March, 2010*

	Share capital	Share premium	Convertible bond equity reserve	Translation reserve	Share option reserve	Asset revaluation reserve	Other reserve	Contributed surplus	Accumulated profits	Total equity attributable to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	17,752	2,761,028	-	51,216	20,987	102,113	110	526,334	2,920,883	6,400,423	70	6,400,493
Exchange differences arising on translation of foreign subsidiaries	-	-	-	31,600	-	-	-	-	-	31,600	46	31,646
Share of other comprehensive income of an associate	-	-	-	2,922	-	3,682	-	-	-	6,604	-	6,604
Effect of change in tax rate	-	-	-	-	-	455	-	-	-	455	-	455
Loss for the year	-	-	-	-	-	-	-	-	(1,536,985)	(1,536,985)	(431)	(1,537,416)
Total comprehensive income (expense) for the year	-	-	-	34,522	-	4,137	-	-	(1,536,985)	(1,498,326)	(385)	(1,498,711)
Reserve released upon deregistration of a subsidiary	-	-	-	-	-	-	-	58	-	58	-	58
Depreciation attributable to revaluation surplus	-	-	-	-	-	(882)	-	-	1,056	174	-	174
Deemed acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	17	17
Dividend paid to owners of the Company - final dividend for 2008	-	-	-	-	-	-	-	(110,065)	-	(110,065)	-	(110,065)
At 31st March, 2009	17,752	2,761,028	-	85,738	20,987	105,368	110	416,327	1,384,954	4,792,264	(298)	4,791,966

**APPENDIX III**
**FINANCIAL INFORMATION ON EIHL GROUP**

	Share capital	Share premium	Convertible bond equity reserve	Translation reserve	Share option reserve	Asset revaluation reserve	Other reserve	Contributed surplus	Accumulated profits	Total equity attributable to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2009	17,752	2,761,028	-	85,738	20,987	105,368	110	416,327	1,384,954	4,792,264	(298)	4,791,966
Exchange differences arising on translation of foreign subsidiaries	-	-	-	3,523	-	-	-	-	-	3,523	419	3,942
Share of other comprehensive income of an associate	-	-	-	152	-	-	-	-	-	152	-	152
Asset revaluation surplus attributable to the previous interest in an associate, net of tax of HK\$3,925,000 (note 42)	-	-	-	-	-	28,784	-	-	-	28,784	-	28,784
Profit for the year	-	-	-	-	-	-	-	-	2,798,005	2,798,005	126,853	2,924,858
Total comprehensive income for the year	-	-	-	3,675	-	28,784	-	-	2,798,005	2,830,464	127,272	2,957,736
Depreciation attributable to revaluation surplus	-	-	-	-	-	(1,425)	-	-	1,672	247	-	247
Acquisition of subsidiaries (note 42)	-	-	-	-	-	-	-	-	-	-	1,438,374	1,438,374
Issue of shares	1,931	218,163	-	-	-	-	-	-	-	220,094	-	220,094
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(41,119)	(41,119)
Recognition of equity component of convertible bond (note 40)	-	-	470,579	-	-	-	-	-	-	470,579	-	470,579
Issue of shares upon conversion of convertible bond (note 40)	10,000	1,239,948	(470,579)	-	-	-	-	-	-	779,369	-	779,369
Deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	10,665	10,665
Dividend paid to owners of the Company	-	-	-	-	-	-	-	(94,479)	-	(94,479)	-	(94,479)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(13,732)	(13,732)
At 31st March, 2010	29,683	4,219,139	-	89,413	20,987	132,727	110	321,848	4,184,631	8,998,538	1,521,162	10,519,700

The contributed surplus of the Group represents the aggregate of (a) the difference between the sum of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition; and (b) the surplus arising on reduction of share capital effective in March 2003; less (c) subsequent dividend paid and bonus issues by way of capitalisation of contributed surplus.

**Consolidated Statement of Cash Flows***For the year ended 31st March, 2010*

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit (loss) before taxation	3,334,910	(1,683,331)
Adjustments for:		
Discount on acquisition of subsidiaries	(102,552)	–
Discount on acquisition of additional interest in subsidiaries	(20,616)	–
Loss on disposal of subsidiaries	–	58
Loss on deemed acquisition of additional interest in a subsidiary	–	17
Interest income	(2,995)	(2,734)
Interest expenses	103,986	119,922
Release of prepaid lease payments	9,822	4,772
Depreciation	73,864	25,234
Share of results of associates	(184,942)	(12,621)
Gain on disposal of property, plant and equipment	(235)	(2)
Written off of property, plant and equipment	57,303	–
(Reversal) recognition of impairment losses	(25,333)	172,120
Change in fair value of trading securities	89	71
Change in fair value of investment properties	(2,460,495)	1,586,109
Write back of allowance for bad and doubtful debts of trade and other receivables, net	(416)	(197)
Operating cash flows before movements in working capital	782,390	209,418
(Increase) decrease in inventories	(1,537)	76
Increase in properties under development	(1,334,123)	(287,926)
Decrease in properties held for sale	231,349	–
Increase in trade and other receivables	(13,458)	(32,346)
(Decrease) increase in trade and other payables	(456,559)	384,211
Decrease in amount due to an associate	–	(295)
Net cash (used in) generated from operations	(791,938)	273,138
Interest received from bank deposits and other receivables	2,995	2,734
Hong Kong Profits Tax refunded	–	129
Hong Kong Profits Tax paid	(9,958)	(4,118)
PRC Enterprise Income Tax paid	(7,546)	(9,877)
Net cash (used in) generated from operating activities	(806,447)	262,006

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Cash flows from investing activities			
Purchase of investment properties and costs incurred for investment properties under development		(2,423,864)	(1,211,957)
Prepaid lease payments paid		(27,865)	(191,719)
Additional costs incurred on properties under development		–	(87,998)
Purchase of property, plant and equipment		(48,241)	(81,867)
Deposits made on acquisition of investment properties/property, plant and equipment		(45,967)	(32,830)
Decrease in pledged bank deposits		22,748	470,258
Proceeds from disposal of investment properties		383,318	147,300
Dividend received from an associate		–	17,566
Decrease in loans receivable		78	78
Proceeds from disposal of property, plant and equipment		343	18
Net cash inflow arising from acquisition of subsidiaries	42	661,951	–
Acquisition of additional interests in subsidiaries	42	(20,503)	–
Net cash used in investing activities		<u>(1,498,002)</u>	<u>(971,151)</u>
Cash flows from financing activities			
New bank loans raised		7,287,038	5,777,000
Advance from a related company		3,694,435	1,773,216
Repayment of bank loans		(5,232,158)	(4,984,927)
Repayment of advance from a related company		(2,677,539)	(1,467,746)
Interest on bank and other borrowings paid		(70,254)	(123,794)
Dividends paid to owners of the Company		(94,479)	(110,065)
Dividends paid to minority interests of subsidiaries		(24,030)	–
Repayment to minority shareholders of subsidiaries		(10,000)	–
Net cash generated from financing activities		<u>2,873,013</u>	<u>863,684</u>
Net increase in cash and cash equivalents		568,564	154,539
Cash and cash equivalents at beginning of the year		322,761	160,709
Effect of exchange rate changes		931	7,513
Cash and cash equivalents at end of the year, representing bank balances and cash		<u><u>892,256</u></u>	<u><u>322,761</u></u>



## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Charron Holdings Limited, a limited liability company incorporated in British Virgin Islands. Its ultimate holding company is Million Way Holdings Limited, a limited liability company incorporated in British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 49.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current Year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“New and Revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*)	Embedded derivatives
– INT 9 & HKAS 39 (Amendments)	
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

\* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of the New and Revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**New and Revised HKFRSs affecting presentation and disclosure only***HKAS 1 (Revised 2007) Presentation of financial statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

*HKFRS 8 Operating segments*

In the current Year, the Group has adopted HKFRS 8 “Operating segments”. HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker. HKFRS 8 replaces HKAS 14 “Segment reporting” which required an entity to identify two sets of segments (business and geographical). The adoption of HKFRS 8 has resulted in redesignation of the Group’s reportable segments (see note 8 for details).

*Improving disclosures about financial instruments (Amendments to HKFRS 7 Financial instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

**New and Revised HKFRS affecting the reported results and financial position***Amendments to HKAS 40 Investment property*

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). Prior to 1st April, 2009, the leasehold land and building elements of investment properties under development were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses, if any. The Group has used the fair value model to account for its investment properties. Property that was being constructed or developed for future use as an investment property was included in properties under development until construction or development was complete, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss.

The Group has applied the amendments to HKAS 40 prospectively from 1st April, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendments, the Group’s investment properties under development that include the leasehold land and buildings elements with previous carrying amounts of HK\$277,469,000 and HK\$741,744,000 as at 1st April, 2009 respectively, have been reclassified as investment properties. No fair value gain or loss was arisen upon the application of the amendments to HKAS 40 at 1st April, 2009 as investment properties under development with aggregate carrying amount of HK\$435,000,000 were impaired to fair value less cost to sell as at 31st March, 2009. The remaining carrying amount of HK\$584,213,000 represented investment properties under development located at Repulse Bay and were reclassified at cost at 1st April, 2009 as their fair value cannot be determined reliably (note 17). During the year ended 31st March, 2010, fair value gain of HK\$17,162,000 and related deferred tax expense of HK\$4,291,000 have been recognised in the profit or loss. As at 31st March, 2010, the impact has been to decrease prepaid lease payments and property under development by HK\$277,469,000 and HK\$741,744,000 respectively, to increase investment properties by HK\$2,431,138,000, to increase deferred tax liabilities by HK\$17,162,000 and to increase profit for the year and accumulated profits by HK\$12,871,000. As a result of the adoption of the amendments to HKAS 40, the basic and diluted earnings per share of the Group for the Year increased by HK\$0.01 and HK\$0.01 respectively.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related party disclosures <sup>7</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>4</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>6</sup>
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions <sup>4</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>8</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>7</sup>
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners <sup>1</sup>
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1st February, 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2010.

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2011.

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from the Group's annual reporting period beginning 1st April, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from the Group's annual reporting period beginning 1st April, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other New and Revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are adjusted to fair value at initial recognition and investment properties which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority interests' share of changes in equity since the date of the combination. Losses applicable to the minority interests in excess of those interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interests have a binding obligation and is able to make an additional investment to cover the losses.

#### **Business combinations**

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Business combinations achieved in stages are accounted for individually, and goodwill or discount, as appropriate, arising from the acquisition at each stage is determined using the cost of the acquisition and fair value of the net identifiable assets acquired at each stage. Any adjustments to the fair value of the net identifiable assets attributable to the previously held equity interest are recognised in other comprehensive income and included in asset revaluation reserve.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Acquisition of additional interests of subsidiaries**

Acquisition of additional interests of subsidiaries that do not result in change in control do not fall within the definition of business combination under HKFRS 3 “Business Combinations”. The excess of the cost of acquisition over the carrying value of assets and liabilities of the subsidiary attributable to the additional interest acquired is recognised as goodwill. If the carrying value of assets and liabilities of the acquiree attributable to the additional interest acquired exceeds the cost of acquisition, the excess is recognised immediately in profit or loss.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition of subsidiary is allocated to each of the relevant cash-generating units (“CGUs”), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

**Interests in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of net assets of the associate, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

From 1st April, 2009, investment properties under construction or development have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development. Investment properties under construction or development are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction or development and their carrying amounts is recognised in profit or loss in the period in which they arise. Prior to 1st April, 2009, the leasehold land and building elements of investment properties under construction or development were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

In circumstances where the fair value of an investment property under development is not reliably determinable, such investment properties under development are measured at cost using the cost model in HKAS 16 “Property, plant and equipment” until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Transfer from investment property to property under development for sale will be made when there is a change in use, evidenced by commencement of development of properties with a view to sale. The fair value of the investment property at the date of change in use will be the deemed cost for subsequent accounting.

Property interests held under operating lease classified as an investment property is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

#### **Property, plant and equipment**

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or deemed cost which is the fair value at the date of transfer from investment property, less subsequent accumulated depreciation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by HKAS16 “Property, plant and equipment” from the requirement to make regular revaluations of the Group’s land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the asset revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the asset revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Transfer of asset revaluation reserve to accumulated profits is made in relation to: (i) the subsequent sale or retirement of a revalued item; (ii) the excess of the depreciation based on the revalued amount of the item over depreciation based on the item’s original cost.

**Property under development – non-current***Property under development for future owner-occupied purpose*

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Property under development for future owner-occupied purpose is transferred to property under development for sale when there is a change in use of property with a view to sale in the ordinary course of business.

*Investment properties under development*

Prior to 1st April, 2009, property that was being constructed or developed for future use as an investment property was included in property under development until construction or development was completed, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss. Upon the adoption of amendments to HKAS 40, the property has been reclassified as an investment property as at 1st April, 2009 (see note 2).

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Impairment of assets (other than goodwill and financial assets)**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

**Leasehold land and building**

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis except for those classified and accounted for as investment properties under the fair value model.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

*Properties held for sale*

Properties for sale are completed properties and are classified under current assets and are stated at the lower of cost and net realisable value.

The Group transfers a property from property held for sale to investment property when there is a change of intention to hold the property to earn rentals which is evidenced by commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

*Property under development*

Property under development for sale in the ordinary course of business is included in current assets and stated at the lower of cost and net realisable value. Costs relating to the development of the properties include land cost, construction cost and other direct development expenditure.

**Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.



#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from an associate, loans receivable, trade and other receivables, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

#### Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on the receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Financial liabilities

Financial liabilities including trade and other payables, amounts due to a related company/an associate/minority shareholders of subsidiaries and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

For the amounts due to minority shareholders of a subsidiary, if the Group revises its estimates of the timing of repayments, the carrying amount of the amounts due to minority shareholders of a subsidiary is adjusted to reflect the revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the balance's original effective interest rate. The adjustment is recognised as deemed capital contribution by the minority shareholders or as an adjustment to the deemed capital contribution.

#### Convertible bond

Convertible bond issued by the Company contain liability, conversion option and early redemption option. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is classified as an equity instrument. Early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component is not separated from the liability component.

On initial recognition, the fair value of the liability component (including early redemption option which is closely related) is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal ordinary course of business, net of discounts.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to buyers.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue arising from service provided for gaming operations in mass market halls, slot machine hall and VIP rooms is recognised when the relevant services have been rendered and the Group is entitled to the share of gross win and gross loss in respect of the operating performance from the gaming operator.

Revenue from hotel accommodation is recognised upon the provision of the accommodation services. Revenue from food and beverage sales and other ancillary services are recognised upon the provision of goods and services.

Service income is recognised when the services are provided.

Consultancy and advisory service income is recognised when the service is rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Dividend income from investments is recognised when the Group's rights to receive dividend payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred taxation is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred taxation is also recognised in other comprehensive income or directly in equity respectively.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

#### **Share-based payment transactions**

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes other than the costs directly attributable to the development of the properties, which are capitalised as part of the cost of qualified assets, are charged as an expense when employees have rendered service entitling them to the contributions.

#### **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Group's accounting policies which are described in note 3, the management has made judgements that have significant effect on the accounts recognised in the consolidated financial statements. The key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Estimated net realisable value on properties under development for sale**

In determining whether allowances should be made to the Group's properties under development for sale of HK\$2,460,641,000 (2009: HK\$1,019,476,000), the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result.

##### **Fair value of investment properties**

The carrying amount of investment properties of HK\$13,332,798,000 as at 31st March, 2010 (2009: HK\$6,180,610,000) comprises investment properties at fair value of HK\$12,731,660,000 (2009: HK\$6,180,610,000) and cost of HK\$601,138,000. For investment properties carried at fair value, the amount was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the profit or loss. For the investment properties under development of which the fair value is not reliably determinable, such investment properties under development are measured at cost using the cost model under HKAS16 "Property, plant and equipment" until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier.

**Estimates of repayment of amounts due to minority shareholders of a subsidiary**

The Group's carrying amount of the interest-free portion of the amounts due to minority shareholders of subsidiaries as at 31st March, 2010 include interest-free shareholders' loan of HK\$279,362,000 due to minority shareholders of Luck United Holdings Limited ("Luck United"). According to the shareholders' agreements, these amounts are repayable only when the indirect non-wholly owned subsidiary, Luck United and its subsidiaries have surplus fund. Surplus fund represents available cash within these subsidiaries after payment of all operating expenses and payable including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. The carrying amount of the amounts due to minority shareholders of a subsidiary and the deemed contribution by minority shareholders may be adjusted to reflect the revised estimated cash flows when the Group revises its estimates of the timing of repayment to the minority shareholders.

The Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible people discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade receivables as at 31st March, 2010 is HK\$160,561,000 (net of allowance for bad and doubtful debts of HK\$2,151,000) (2009: HK\$4,015,000 (net of allowance for bad and doubtful debts of HK\$2,794,000)).

**Deferred tax assets**

At 31st March, 2010, deferred tax assets of approximately HK\$23,673,000 (2009: HK\$3,636,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

**5. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amount due to a related company as disclosed in note 34, the amounts due to minority shareholders of subsidiaries as disclosed in note 35, the secured bank borrowings as disclosed in note 36, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the debt raising.

## 6. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Financial assets</b>		
Fair value through profit or loss		
Investments in trading securities	1	90
Loans and receivables		
Amount due from an associate	2,645	2,645
Deposits in designated bank account for development properties	198,892	220,934
Loans receivable	1,784	1,862
Trade and other receivables	261,050	118,553
Pledged bank deposit	300	–
Bank balances and cash	892,256	322,761
	<u>1,356,927</u>	<u>666,755</u>
<b>Financial liabilities</b>		
At amortised cost		
Trade and other payables	284,043	221,772
Amount due to a related company	1,697,876	1,880,980
Amount due to an associate	–	3
Amounts due to minority shareholders of subsidiaries	298,866	19,504
Secured bank borrowings	5,230,686	3,021,115
	<u>7,511,471</u>	<u>5,143,374</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include deposits in designated bank account for development properties, trade and other receivables, pledged bank deposits, bank balances and cash, creditors and other payables, amounts due to a related company/an associate/minority shareholders of subsidiaries and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk***Foreign currency risk*

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. The management considers the Group does not expose to significant foreign currency risk in relation to transactions denominated in Macau Pataca ("MOP") against Hong Kong dollars. Exposures on balances which are denominated in MOP in group entities with Hong Kong dollars as functional currency are not considered significant as MOP is pegged to Hong Kong dollars.

*Cash flow interest rate risk*

The Group's cash flow interest rate risk relates primarily to bank balances, amount due to a related company and variable-rate secured bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's advances from a related company and secured bank borrowings.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the abovementioned financial assets and liabilities at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

Except for bank balances using 10 basis points (2009: 10 basis points), if interest rates had been 100 basis points (2009: 100 basis points) higher and all other variables were held constant, the potential effect on post-tax profit (2009: post-tax loss) for the Year is as follows:

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase (decrease) in post-tax profit (2009: decrease (increase) in post-tax loss) for the Year		
– Bank balances	1,091	544
– Amounts due to a related company	(16,979)	(18,810)
– Secured bank borrowings	(52,307)	(30,211)
	<u>(68,195)</u>	<u>(48,477)</u>

If interest rates had been lower in an opposite magnitude and all other variables held constant, the potential effect on the results would be equal and opposite.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2010 in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period based on the management knowledge of customers and their creditability and repayment record to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 33% (2009: 58%) and 35% (2009: 58%) of the total trade receivables which was due from the Group's largest customer and the five largest customers respectively within the hotel and hotel related operations. The remaining trade receivables balances are spread over numbers of customers.



*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of banking facilities and ensures compliance with loan covenants, if any.

The Group relies on bank borrowings as a significant source of liquidity. At 31st March, 2010, based on the existing levels of bank balances and the existing banking facilities available, the Group will be able to meet its future cashflow requirements. Accordingly, the management considers that the Group's liquidity risk is minimal.

The following table details the Group's remaining contractual maturity for its financial liabilities that will result in cash outflow. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on interest rate at the end of the reporting period.

*Liquidity table*

	Weighted average effective interest rate	Less than 1 month or repayable on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>At 31st March, 2010</b>								
Creditors and other payables	-	51,233	232,574	236	-	-	284,043	284,043
Amount due to a related company	1.21%	-	-	-	1,718,420	-	1,718,420	1,697,876
Amounts due to minority shareholders of subsidiaries								
- interest-bearing	5.00%	-	-	123,016	182,984	-	306,000	279,362
- non-interest bearing	-	19,504	-	-	-	-	19,504	19,504
Secured bank borrowings	1.60%	-	470,260	1,410,782	2,038,880	1,575,545	5,495,467	5,230,686
		<u>70,737</u>	<u>702,834</u>	<u>1,534,034</u>	<u>3,940,284</u>	<u>1,575,545</u>	<u>7,823,434</u>	<u>7,511,471</u>
<b>At 31st March, 2009</b>								
Creditors and other payables	-	-	221,772	-	-	-	221,772	221,772
Amount due to a related company	1.26%	1,880,980	-	-	-	-	1,880,980	1,880,980
Amount due to an associate	-	3	-	-	-	-	3	3
Amounts due to minority shareholders of subsidiaries								
- interest-bearing	-	19,504	-	-	-	-	19,504	19,504
Secured bank borrowings	1.74%	-	319,774	959,322	1,261,407	634,737	3,175,240	3,021,115
		<u>1,900,487</u>	<u>541,546</u>	<u>959,322</u>	<u>1,261,407</u>	<u>634,737</u>	<u>5,297,499</u>	<u>5,143,374</u>

**(c) Fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of investments in trading securities which traded on active liquid markets are determined with reference to quoted market bid prices.
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective end of the reporting period approximate their corresponding fair values.

*Fair value measurements recognised in the consolidated statement of financial position*

At 31st March, 2010, the financial instruments that are measured subsequent to initial recognition at fair value are investments in trading securities. Their fair value measurements are derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

**7. REVENUE**

An analysis of the Group's revenue is as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Hotel and hotel related operations		
Service income from gaming operations	560,954	–
Hotel room income	62,690	29,378
Marketing and promotion income	2,205	–
Food and beverage sales	56,666	20,751
Others	4,546	2,545
	<u>687,061</u>	<u>52,674</u>
Sales of properties	423,094	–
Rental income from investment properties	339,618	292,505
Consultancy and advisory service income	–	2,991
	<u>1,449,773</u>	<u>348,170</u>

## 8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

The executive directors of the Company (the “Executive Directors”) have been identified as the chief operating decision maker. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources.

In the past, the Group’s primary reporting format for business segments was: (i) lease of properties; (ii) properties development; (iii) hotel and hotel related operations; and (iv) consultancy and advisory services. However, for the purpose of resources allocation and assessment of performance, the Executive Directors are more specifically focused on the lease of properties, properties development and hotel and hotel related operations. Consultancy and advisory segment information is not reported internally to the Executive Directors. The Group’s operating segments under HKFRS 8 are therefore as follows: lease of properties, properties development and hotel and hotel related operations.

Principal activities of the operating segments are as follows:

Lease of properties	–	Completed investment properties and properties under development held for rental purpose
Properties development	–	Properties construction and redevelopment for sale purpose
Hotel and hotel related operations	–	Hotel operation in the Grand Emperor Hotel in Macau and The Emperor (Happy Valley) Hotel in Hong Kong, including operations of mass market, slot machine and VIP room operations and provision of gaming-related marketing and public relation services in casino of the Grand Emperor Hotel

Upon the acquisition of EEH (note 42), the Executive Directors review the hotel and hotel related operations of EEH in Macau along with the Group’s existing hotel operation – Emperor (Happy Valley) Hotel in Hong Kong and hence they are grouped and identified as a single operating segment – Hotel and hotel related operations.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, interest income from bank deposits, finance costs, share of results of associates, discount on acquisition of subsidiaries and discount on acquisition of additional interest in subsidiaries. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

For the year ended 31st March, 2010

**Segment revenue and results**

	<b>Lease of properties</b>	<b>Properties development</b>	<b>Hotel and hotel related operations</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	339,618	423,094	687,061	1,449,773
Segment results	2,785,214	209,192	195,727	3,190,133
Interest income				2,995
Unallocated corporate expenses, net				(58,680)
Finance costs				(107,648)
Share of results of associates				184,942
Discount on acquisition of subsidiaries				102,552
Discount on acquisition of additional interest in subsidiaries				20,616
Profit before taxation				3,334,910
Taxation charge				(410,052)
Profit for the year				2,924,858

**Other information**

Amounts included in the measure of segment results:

Depreciation	–	303	58,507	58,810
Release of prepaid lease payments	–	–	8,559	8,559
Loss on disposal of property, plant and equipment	–	–	54	54
Written off of property, plant and equipment	–	–	57,303	57,303
Reversal of impairment losses	–	25,333	–	25,333
Fair value increase in investment properties	2,460,495	–	–	2,460,495
Allowance for bad and doubtful debts	144	–	–	144

Amounts regularly provided to the Executive Directors but not included in the measure of segment results (included in unallocated corporate expenses, net):

	<i>HK\$'000</i>
Depreciation	15,054
Release of prepaid lease payments	1,263
Gain on disposal of property, plant and equipment	289
Allowance for bad and doubtful debts written back	560

For the year ended 31st March, 2009

**Segment revenue and results**

	<b>Lease of properties</b>	<b>Properties development</b>	<b>Hotel and hotel related operations</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	292,505	–	52,674	345,179
Segment results	(1,489,731)	(38,388)	6,342	(1,521,777)
Interest income				2,734
Unallocated corporate expenses, net				(53,977)
Finance costs				(122,932)
Share of results of associates				12,621
Loss before taxation				(1,683,331)
Taxation credit				145,915
Loss for the year				(1,537,416)
<b>Reconciliation of revenue</b>				
Revenue for operating segments				345,179
Revenue from consultancy and advisory services				2,991
Group's revenue				348,170

**Other information**

Amounts included in the measure of segment results:

Depreciation	–	355	6,375	6,730
Release of prepaid lease payments	–	–	3,509	3,509
Recognition of impairment losses	140,944	28,389	2,787	172,120
Fair value decrease in investment properties	1,586,109	–	–	1,586,109
Allowance for bad and doubtful debts	130	–	–	130

Amounts regularly provided to the Executive Directors but not included in the measure of segment results (included in unallocated corporate expenses, net):

	<i>HK\$'000</i>
Depreciation	18,504
Release of prepaid lease payments	1,263
Allowance for bad and doubtful debts written back	327

No analysis of the Group's assets and liabilities by operating segment is disclosed as they are not regularly provided to the Executive Directors for review.

**Geographical information**

The Group's operations are located at Hong Kong, the PRC and Macau.

The Group's revenue from external customers and information about its non-current assets other than amount due from an associate, deposits in designated bank account for development properties and loans receivable by geographical location of the assets are detailed below:

	Revenue from customers		Non-current assets	
	For the year ended		As at	
	31st March,		31st March,	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	355,909	335,638	10,713,493	6,840,693
The PRC	425,106	12,532	2,329,078	1,230,728
Macau	668,758	–	2,198,096	808,142
	<u>1,449,773</u>	<u>348,170</u>	<u>15,240,667</u>	<u>8,879,563</u>

**Information about major customers**

During the Year, revenue derived from the customer which contributed over 10% of the total revenue of the Group's revenue amounted to HK\$580,206,000 (2009: nil). The revenue is related to the hotel and hotel related operations.

**9. OTHER INCOME**

	2010	2009
	HK\$'000	HK\$'000
The amount for the year includes:		
Interest income from:		
– bank deposits	2,899	2,622
– loans receivable	96	112
Gain on disposal of property, plant and equipment	235	2
Exchange gain	2,222	–
	<u>2,222</u>	<u>–</u>

**10. REVERSAL (RECOGNITION) OF IMPAIRMENT LOSSES**

	2010	2009
	HK\$'000	HK\$'000
Impairment losses reversed (recognised) in respect of:		
Properties under development for		
– own use purpose	–	(897)
– sale purpose	25,333	(28,389)
Prepaid lease payments		
– rental purpose	–	(140,944)
– own use purpose	–	(1,890)
	<u>25,333</u>	<u>(172,120)</u>

During the year ended 31st March, 2010, the management reviewed the recoverability of the properties under development with reference to the current market environment and reversed the previously recognised impairment loss of HK\$25,333,000. The carrying amount of the properties at 31st March, 2010 was increased to the revised estimated recoverable amount but did not exceed the cost of these properties.

During the year ended 31st March, 2009, the estimated recoverable amounts of certain properties under development and prepaid lease were less than the corresponding carrying values, and impairment loss was recognised with reference to the current market environment, estimated net realisable values and expected rental yield.

#### 11. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on:		
– bank borrowings wholly repayable within five years	29,321	67,810
– other borrowings wholly repayable within five years	16,954	32,586
– bank borrowings not wholly repayable within five years	14,398	23,398
Total borrowing costs	60,673	123,794
Imputed interest expense on amounts due to minority shareholders of a subsidiary	8,099	–
Interest on convertible bond ( <i>note 40</i> )	59,529	–
Less: amount capitalised in properties under development	(24,315)	(3,872)
Bank charges	3,662	3,010
	<u>107,648</u>	<u>122,932</u>

Borrowing costs capitalised during the Year arose on the general borrowing pool are calculated by applying capitalisation rates ranging from 1.21% to 1.27% per annum to expenditure on qualifying assets. All borrowing costs capitalised during the year ended 31st March, 2009 arose on borrowings that were obtained specifically for the purpose of acquiring or developing qualifying assets.

#### 12. PROFIT (LOSS) BEFORE TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Auditor's remuneration	4,826	2,667
Depreciation	73,864	25,234
Release of prepaid lease payments	9,822	4,772
Written-off of property, plant and equipment	57,303	–
Change in fair value of trading securities (included in administrative expenses)	89	71
Commission expenses in gaming operations (included in selling and marketing expenses)	134,318	–
Operating lease rentals in respect of rented premises	2,907	2,067
Share of tax of associates (included in share of results of associates)	59,501	3,380
Staff costs, including Directors' remuneration and retirement benefit scheme contributions ( <i>note 13</i> )	245,730	93,736
and after crediting:		
Gross rental income from investment properties less direct operating expenses of HK\$15,161,000 (2009: HK\$16,027,000) relating to investment properties that generated rental income during the year	<u>324,457</u>	<u>276,478</u>

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (i) Directors' emoluments

	Wong Chi Fai HK\$'000	Fan Man Seung, Vanessa HK\$'000	Mok Fung Lin, Ivy HK\$'000	Cheung Ping Keung HK\$'000	Luk Siu Man, Semon HK\$'000	Chan Man Hon, Eric HK\$'000	Wan Chi Keung Aaron HK\$'000	Law Ka Ming, Michael HK\$'000	Liu Hing Hung HK\$'000	Total HK\$'000
2010										
Fees	159	159	159	100	-	150	-	150	150	1,027
Other emoluments:										
Salaries and other benefits	2,460	1,200	1,881	2,940	-	-	-	-	-	8,481
Performance related incentive payment (note)	1,500	1,145	700	3,000	-	-	-	-	-	6,345
Retirement benefit scheme contributions	172	84	132	12	-	-	-	-	-	400
Total emoluments	<u>4,291</u>	<u>2,588</u>	<u>2,872</u>	<u>6,052</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>	<u>150</u>	<u>16,253</u>
2009										
Fees	153	153	153	153	-	229	114	115	229	1,299
Other emoluments:										
Salaries and other benefits	2,360	1,160	1,841	2,832	-	-	-	-	-	8,193
Retirement benefit scheme contributions	168	84	131	12	-	-	-	-	-	395
Total emoluments	<u>2,681</u>	<u>1,397</u>	<u>2,125</u>	<u>2,997</u>	<u>-</u>	<u>229</u>	<u>114</u>	<u>115</u>	<u>229</u>	<u>9,887</u>

Note: The performance related incentive payment is determined with reference to the operating results, individual performance and comparable market statistics for the year ended 31st March, 2010.

## (ii) Employees' emoluments

During the Year, the five highest paid individual include four (2009: four) Directors of the Company whose emoluments are set out above. The total emoluments of the remaining one (2009: one) highest paid individual were as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries and other benefits	2,130	1,416
Retirement benefit scheme contributions	107	71
	<u>2,237</u>	<u>1,487</u>

No emolument was recognised or paid by the Group to the Directors as compensation for loss of office for both years. No Director had waived any emoluments during both years.



**(iii) Retirement benefit scheme**

The Group participates in two defined contribution schemes which is registered under the Hong Kong Occupational Retirement Scheme Ordinance (the “ORSO” Scheme) and the mandatory provident fund scheme (“MPF Scheme”) established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000 for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The retirement benefit cost charged to profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group’s subsidiaries in Macau and the PRC are members of state-managed retirement benefit schemes operated by the Macau and PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

During the Year, the retirement benefit schemes contributions were HK\$3,829,000 (2009: HK\$3,156,000).

**14. TAXATION (CHARGE) CREDIT**

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The (charge) credit comprises:		
Current tax		
Hong Kong Profits Tax	(19,613)	(4,566)
PRC Enterprise Income Tax	(33,627)	–
Macau Complimentary Income Tax	(23,795)	–
	<u>(77,035)</u>	<u>(4,566)</u>
Over(under)provision in prior years		
Hong Kong Profits Tax	307	348
PRC Enterprise Income Tax	(1,161)	–
	<u>(854)</u>	<u>348</u>
	<u>(77,889)</u>	<u>(4,218)</u>
Deferred taxation ( <i>note 37</i> )		
(Charge) credit for the year	(292,050)	131,617
Change in tax rate	–	18,516
	<u>(292,050)</u>	<u>150,133</u>
PRC Land Appreciation Tax		
Charge for the year	(40,113)	–
	<u>(410,052)</u>	<u>145,915</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the assessable profit for the Year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

The Macau Complimentary Income Tax is calculated at the applicable rate of 12% of the estimated assessable profits for the Year.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

The taxation (charge) credit for the year can be reconciled to the profit (loss) before taxation per consolidated statement of comprehensive income as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Profit (loss) before taxation	3,334,910	(1,683,331)
Taxation (charge) credit at Hong Kong Profits Tax of 16.5% (2009: 16.5%)	(550,260)	277,750
Tax effect of share of results of associates	30,515	2,082
Tax effect of income not taxable for tax purpose	120,675	2,079
Tax effect of expenses not deductible for tax purpose	(13,149)	(84,827)
PRC Land Appreciation Tax	(40,113)	–
Tax effect of PRC Land Appreciation Tax	6,619	–
Utilisation of tax losses previously not recognised	22,456	–
Utilisation of deductible temporary difference previously not recognised	22,072	–
Tax effect of tax losses not recognised	(3,657)	(30,567)
Tax effect of deductible temporary difference not recognised	–	(39,466)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,046)	–
(Under)overprovision in prior years	(854)	348
Change in tax rate	–	18,516
Others	(310)	–
Taxation (charge) credit for the year	<u>(410,052)</u>	<u>145,915</u>

#### 15. DIVIDENDS

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim paid: HK\$0.048 per share (2009: nil)	94,479	–
No final dividend was paid for 2009 (2009: HK\$0.062 per share in respect of 2008)	–	110,065
	<u>94,479</u>	<u>110,065</u>

The Board of Directors proposed the payment of a final dividend of HK\$0.04 per share (2009: nil) for the year ended 31st March, 2010 which is subject to approval by the shareholders in the forthcoming annual general meeting.

## 16. EARNINGS (LOSS) PER SHARE

The calculation of the earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings (loss)</b>		
Earnings (loss) for the purpose of basic earnings (loss) per share	2,798,005	(1,536,985)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	59,529	—
Earnings (loss) for the purpose of diluted earnings (loss) per share	<u>2,857,534</u>	<u>(1,536,985)</u>
	<b>2010</b>	<b>2009</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,946,503,427	1,775,246,134
Effect of dilutive potential ordinary shares:		
Convertible bond	515,068,493	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>2,461,571,920</u>	<u>1,775,246,134</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for issue of shares during the Year.

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's and EEH's (the Company's subsidiary) outstanding share options as the exercise prices of those options were higher than average market price of the Company's and EEH's shares during the Year.

## 17. INVESTMENT PROPERTIES

	<b>2010</b>		<b>2009</b>	
	<b>Completed investment properties</b>	<b>Investment properties under development</b>	<b>Total</b>	<b>Completed investment properties</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April	6,180,610	–	6,180,610	6,673,676
Exchange realignment	–	3,130	3,130	–
Reclassified from properties under development – non-current on 1st April ( <i>note 19</i> )	–	741,744	741,744	–
Reclassified from prepaid lease payments on 1st April ( <i>note 20</i> )	–	277,469	277,469	–
Acquisition of subsidiaries ( <i>note 42</i> )	423,600	1,130,000	1,553,600	–
Additions	2,211,031	261,633	2,472,664	1,293,887
Disposals	(383,318)	–	(383,318)	(147,300)
Reclassified from properties held for sale ( <i>note (a)</i> )	26,404	–	26,404	–
Reclassified to properties under development for sale ( <i>note (b)</i> )	–	–	–	(53,544)
Increase (decrease) in fair value	2,443,333	17,162	2,460,495	(1,586,109)
	<u>10,901,660</u>	<u>2,431,138</u>	<u>13,332,798</u>	<u>6,180,610</u>
At 31st March	<u>10,901,660</u>	<u>2,431,138</u>	<u>13,332,798</u>	<u>6,180,610</u>
Comprising:				
Fair value	10,901,660	1,830,000	12,731,660	6,180,610
Cost	–	601,138	601,138	–
	<u>10,901,660</u>	<u>2,431,138</u>	<u>13,332,798</u>	<u>6,180,610</u>

*Notes:*

- (a) During the year ended 31st March, 2010, certain properties held for sale were reclassified to investment properties upon commencement of an operating lease.
- (b) During the year ended 31st March, 2009, certain investment properties were reclassified to property under development upon commencement of development of the properties with a view to sale.

The carrying amount of investment properties at the end of the reporting period comprises:

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Situated in Hong Kong:		
– long leases	5,239,248	2,589,300
– medium-term leases	4,962,700	3,007,010
Situated in PRC:		
– long leases	1,259,050	–
– medium-term leases	660,000	–
Situated in Macau:		
– medium-term leases	447,800	–
– short-term lease	764,000	584,300
	<u>13,332,798</u>	<u>6,180,610</u>

All the investment properties are held for rental under operating leases or under development as properties held for rental purpose.

The fair values of the Group's investment properties at 31st March, 2010 have been arrived at on the basis of a valuation carried out on that date by Memfus Wong Surveyors Limited (2009: Colliers International (Hong Kong) Limited), an independent firm of professional property valuers not connected with the Group.

For completed investment properties, the valuation was arrived at with reference to market evidence of recent transaction prices for similar properties or rental income using the applicable market yields for the respective locations and types of properties.

For investment properties under development located at Beijing with carrying amount of HK\$660,000,000 at 31st March, 2010 (2009: included in properties under development under non-current assets and prepaid lease payments of HK\$157,531,000 and HK\$277,469,000, respectively), the valuation method was mainly based on residual method ("Residual Method") by making reference to recent sales transactions of completed properties as available in the relevant market to determine the potential sales proceeds and deducting the development costs and required profits from the investment properties, which are derived from the interpretation of prevailing investor requirements or expectations.

For investment properties under development located at Shanghai (the "Land") with carrying amount of HK\$1,170,000,000 at 31st March, 2010 acquired through EEH (note 42), as the site is in its initial stage of development and only the site preparation work had been completed at the end of the reporting period, the valuation has been arrived at by adopting direct comparison approach with reference to comparable transactions in the locality for similar lands, taken into consideration the cost that has been incurred for land preparation and base construction.

At 31st March, 2010, investment properties under development located at Repulse Bay, of which the construction work is virtually completed, are measured at cost of HK\$601,138,000 (2009: included in properties under development under non-current assets of HK\$584,213,000). The properties are under a legal proceeding with the government of Hong Kong Special Administrative Region ("HKSAR") in relation to the interpretation of the government lease and may result in the Group paying a substantial amount of land premium to the government of HKSAR in order for the properties to be rent out. The uncertainty on the amount of potential land premium is significant that precludes the valuer from measuring its fair value reliably under the Residual Method. Accordingly, these investment properties are measured at cost until the fair value becomes reliably determinable.

Included in investment property under development as at 31st March, 2010 was net interest capitalised of HK\$6,053,000 (2009: nil).

#### **Litigation relating to the investment properties under development in the PRC**

Prior to EEH becoming a subsidiary of the Company in August 2009, EEH entered into a joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co., Ltd., now know as Shanghai Zhangxi Investment Development Co., Ltd. ("JV Partner") on 26th May, 2004, to jointly develop the Land. Under the JV Agreement, EEH would provide the Land, the JV Partner would bear the full construction cost and the saleable floor area would be split between the parties in equal shares. EEH and the JV Partner intend to develop the property into a commercial complex ("Project"). EEH has an option to put its interest in the Project to the JV Partner at a consideration of HK\$530,000,000 ("Put Option"). The option period is between (i) 18 months from the JV Partner taking possession of the Land and (ii) 30 months from the JV Partner taking possession of the Land or completion of the decoration of the common areas of the Project, whichever is the later (both months inclusive).

Under the terms of the JV Agreement, EEH has the right to terminate the JV Agreement and forfeit the JV Partner's contribution to the Project if the JV Partner failed to settle overdue construction cost payment to contractors of more than RMB10,000,000 for more than 3 months. In view of the JV Partner's failure to do so, EEH served a notice to the JV Partner to terminate the JV Agreement in October 2006. At that time, the JV Partner had contributed RMB27,130,000 (equivalent to HK\$30,857,000) towards the Project and incurred construction cost and other payables known to EEH totalling RMB56,490,000 (equivalent to HK\$64,250,000). EEH had since assumed the legal obligation to settle the outstanding payables incurred by the JV Partner in respect of the Project and recognised the amount paid by EEH as investment property under development. In addition, EEH had taken up the JV Partner's contractual arrangements with regards to the construction of the Project which had not been commenced. The Group disclosed these contractual commitments in relation to the Project in note 43.

In October 2006, EEH commenced legal proceedings against the JV Partner in Shanghai, the PRC for termination of the JV Agreement, payment of the outstanding payables known to EEH at that time in the sum of RMB56,490,000 and forfeiture of the JV Partner's contribution of RMB27,130,000. The latter sum has not been recognised as assets by EEH, pending the outcome of the legal proceedings.

In May 2010, the Shanghai No. 2 Intermediate People's Court (the "Court") completed its hearing of the case. Mediations to settle the dispute between the JV Partner and EEH. The legal case is still in the progress up to the date these consolidated financial statements were authorised for issue. Details of the legal proceedings are set out in note 47(a).

The PRC lawyers representing EEH were of the view that it is probable for EEH to terminate the JV Agreement, in which event the JV Partner is unable to provide supportive rationale to the Court to support their counterclaim. Details of the counterclaim are set out in note 47(a).

#### 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Hotel properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST OR DEEMED COST</b>					
At 1st April, 2008	39,626	155,276	94,398	47,291	336,591
Exchange realignment	–	–	–	33	33
Additions	–	–	73,801	18,027	91,828
Disposals	–	–	(3,708)	(2,017)	(5,725)
At 31st March, 2009	39,626	155,276	164,491	63,334	422,727
Exchange realignment	–	–	–	10	10
Acquisition of subsidiaries ( <i>note 42</i> )	59,600	848,507	15,384	53,371	976,862
Additions	–	–	36,053	12,188	48,241
Disposals	–	–	–	(2,760)	(2,760)
Written-off	–	–	(80,974)	(17,584)	(98,558)
At 31st March, 2010	99,226	1,003,783	134,954	108,559	1,346,522
Comprising:					
At cost	88,226	848,507	134,954	108,559	1,180,246
At deemed cost	11,000	155,276	–	–	166,276
	99,226	1,003,783	134,954	108,559	1,346,522
<b>DEPRECIATION</b>					
At 1st April, 2008	12,209	42,819	27,123	27,736	109,887
Exchange realignment	–	–	–	17	17
Provided for the year	950	3,891	12,485	7,908	25,234
Eliminated on disposal	–	–	(2,629)	(3,080)	(5,709)
At 31st March, 2009	13,159	46,710	36,979	32,581	129,429
Exchange realignment	–	–	–	3	3
Provided for the year	1,869	15,142	16,068	40,785	73,864
Eliminated on disposal	–	–	–	(2,652)	(2,652)
Eliminated on written-off	–	–	(34,752)	(6,503)	(41,255)
At 31st March, 2010	15,028	61,852	18,295	64,214	159,389
<b>CARRYING VALUES</b>					
At 31st March, 2010	<u>84,198</u>	<u>941,931</u>	<u>116,659</u>	<u>44,345</u>	<u>1,187,133</u>
At 31st March, 2009	<u>26,467</u>	<u>108,566</u>	<u>127,512</u>	<u>30,753</u>	<u>293,298</u>

The above items of property, plant and equipment are depreciated on a straight line basis of the following rates per annum:

Buildings	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Hotel properties	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Leasehold improvements	10–20%
Others	10–33 $\frac{1}{3}$ %

The carrying values of buildings and hotel properties shown above are situated on land under the following lease terms:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Buildings in Hong Kong:		
– Long lease	15,689	16,402
– Medium-term lease	9,827	10,065
	<u>25,516</u>	<u>26,467</u>
Buildings in Macau:		
– Long lease	58,682	–
	<u>84,198</u>	<u>26,467</u>
Hotel property in Hong Kong:		
– Long lease	104,674	108,566
Hotel property in Macau:		
– Medium lease	837,257	–
	<u>941,931</u>	<u>108,566</u>

#### 19. PROPERTIES UNDER DEVELOPMENT – NON-CURRENT

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At beginning of the year	831,914	644,878
Reclassified to investment properties on 1st April ( <i>note 17</i> )	(741,744)	–
Exchange realignment	–	2,231
Additions	–	96,893
Reclassified (to) from properties under development for sale ( <i>note</i> )	(90,170)	88,809
Impairment loss	–	(897)
	<u>–</u>	<u>831,914</u>

*Note:* During the year ended 31st March, 2009, as a result of the change of land use to hotel operations being approved by the Building Authority, certain properties previously under development for sale of approximately HK\$88,809,000 were reclassified as properties under development under non-current assets. During the year ended 31st March, 2010, the management revised the development plan to change the land use from hotel operations to property development for sale. The revised development plan has been approved by the Building Authority and site clearance and foundation work commenced during the Year. As a result, the carrying amount of the properties under development of approximately HK\$90,170,000 and prepaid lease payment of approximately HK\$217,694,000 (*note 20*) were reclassified to properties under development for sale.

The properties under development at the end of the reporting period comprise:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Situated in Hong Kong under long leases	–	674,383
Situated in the PRC and held under land use rights for terms expiring within 50 years	–	157,531
	<u>–</u>	<u>831,914</u>
<b>20. PREPAID LEASE PAYMENTS</b>		
	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>COST</b>		
At 1st April	748,617	684,659
Reclassified to investment properties on 1st April ( <i>note 17</i> )	(277,469)	–
Exchange realignment	–	28,740
Acquisition of subsidiaries ( <i>note 42</i> )	340,600	–
Additions	27,865	191,719
Release for the year	(9,822)	(13,667)
Reclassified to properties under development for sale ( <i>note 19</i> )	(217,694)	–
Impairment loss recognised	–	(142,834)
	<u>612,097</u>	<u>748,617</u>
At 31st March	<u>612,097</u>	<u>748,617</u>
	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
Situated in Hong Kong:		
– long leases	239,371	432,939
– medium-term lease	37,176	38,209
Situated in Macau under medium-term lease	335,550	–
Situated in the PRC and held under land use right expiring within 50 years	–	277,469
	<u>612,097</u>	<u>748,617</u>
Analysed for reporting purposes as:		
– non-current portion	598,738	734,067
– current portion	13,359	14,550
	<u>612,097</u>	<u>748,617</u>



## 21. INTERESTS IN ASSOCIATES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of investment in associates		
– listed	–	754,924
– unlisted	–	–
	–	754,924
Share of post-acquisition reserves, net of dividends	142	45,538
	142	800,462
Market value of an associate listed on the Stock Exchange as at 31st March	N/A	142,720

Included in the cost of investment in associates at 31st March, 2009 was goodwill of HK\$54,743,000 arising on acquisitions of an associate in prior years. The movement of goodwill is set out below:

	<i>HK\$'000</i>
At 1st April, 2008, 31st March, 2009 and 1st April, 2009	54,743
Reclassified to goodwill of subsidiaries ( <i>note 24</i> )	(54,743)
At 31st March, 2010	–

The summarised financial information in respect of associates based on its audited financial statements for the year ended 31st March, 2010 and relevant information in respect of the Group's interest in associates are as follows:

**Result for the year**

	2010 <i>HK\$'000</i> ( <i>Note</i> )	2009 <i>HK\$'000</i>
Revenue	335,973	791,456
Profit for the year	425,824	29,035
Other comprehensive income for the year	355	15,204
Total comprehensive income for the year	426,179	44,239
Profit for the year attributable to the Group	184,942	12,621
Other comprehensive income attributable to the Group	152	6,604
Total comprehensive income attributable to the Group	185,094	19,225

*Note:* The amounts for the year ended 31st March, 2010 included the revenue, profit and other comprehensive income of EEH for the period from 1st April, 2009 to 27th August, 2009, the date EEH ceased to be an associate of the Group (*note 42*).

**Financial position**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Non-current assets	2,629	2,335,169
Current assets	2,965	866,086
Current liabilities	(2,665)	(620,581)
Non-current liabilities	(2,645)	(403,217)
	<hr/>	<hr/>
Net asset attributable to owners	284	2,177,457
Minority interests	–	(460,429)
	<hr/>	<hr/>
Total equity	<u>284</u>	<u>1,717,028</u>
	<hr/>	<hr/>
Group's share of net assets of associates	<u>142</u>	<u>745,719</u>

Particulars of the Group's associates as at 31st March, 2010 and 31st March, 2009, are as follows:

Name of associate	Place of incorporation	Effective proportion of issued share capital held by the Group		Principal activities
		2010	2009	
EEH	Bermuda	N/A*	43.43%	Hotel and gaming and property development
Brightwing Development Limited	Hong Kong	50%	50%	Property investments

\* EEH became a non-wholly-owned subsidiary during the year ended 31st March, 2010.

**22. AMOUNT DUE FROM (TO) AN ASSOCIATE**

The amount due from an associate is unsecured and interest-free. The amount is not expected to realize in the next twelve months from the end of the reporting period and therefore classified as non-current asset.

At 31st March, 2009, the amount due to an associate was unsecured, interest-free and repayable on demand.

**23. LOANS RECEIVABLE**

The loans were advanced to purchasers for financing the acquisition of the properties sold by the Group. The amounts carry interest at Prime Rate (2009: Prime Rate) and are secured by second mortgages over the properties acquired by the purchasers. The maturity dates of the balances are 16 (2009: 17) years.

**24. GOODWILL**

	<i>HK\$'000</i>
COST	
At 1st April, 2008, 31st March, 2009 and 1st April, 2009	1,940
Reclassified from investment in an associate ( <i>note 21</i> )	54,743
	<hr/>
At 31st March, 2010	<u>56,683</u>

For the purpose of impairment test, the goodwill of HK\$54,743,000 reclassified from investment in an associate – EEH has been allocated to EEH (a single cash generating unit “CGU”).

At 31st March, 2010, the Group performed an impairment review for goodwill of EEH based on cash flow forecasts derived from the most recent financial budgets for the next five years and after the fifth year, the projections are extrapolated using a constant growth rate of 3% per annum for subsequent years. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the year. The forecast is discounted using a discount rate of 13%. The discount rate was determined with reference to weighted average cost of capital ("WACC") of similar companies in the industry adjusted for certain factors specific to EEH. The growth rate does not exceed the long-term average industry growth forecasts. Changes in selling prices and direct costs are based on past practices and the management's expectations of future changes in the market. The Group considers no impairment loss is necessary.

Regarding the goodwill of HK\$1,940,000 (2009: HK\$1,940,000), it has been allocated to the CGU for the lease of properties for the purpose of impairment test, and no impairment is considered necessary.

#### 25. OTHER ASSETS

	<b>2010 &amp; 2009</b> <i>HK\$'000</i>
Club debentures and membership, at cost	4,442

The club debentures and membership have indefinite life.

#### 26. INVENTORIES

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Catering goods	7,343	543

The cost of inventories in respect of hotel and hotel related operations recognised as an expense during the Year amounted to approximately HK\$25,358,000 (2009: HK\$7,925,000).

#### 27. PROPERTIES HELD FOR SALE

The properties held for sale comprise properties:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Situated in Hong Kong and held under long-term leases	11,447	11,432
Situated in Hong Kong and held under medium-term leases	182	182
Situated in the PRC and held under land use rights with terms expiring within 50 years	6,838	15,441
	<u>18,467</u>	<u>27,055</u>

The cost of properties held for sale recognised as an expense during the Year amounted to approximately HK\$231,348,000 (2009: nil).

**28. PROPERTIES UNDER DEVELOPMENT – CURRENT**

The amount represented projects developed for sale after completion. The properties under development at the end of the reporting period comprise:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Situated in Hong Kong:		
– long leases	2,290,017	644,314
– medium-term leases	170,624	142,500
Situated in the PRC and held under land use rights for:		
– terms expiring within 50 years	–	232,662
	<u>2,460,641</u>	<u>1,019,476</u>

Included in the amount are properties under development for sale of approximately HK\$1,909,950,000 (2009: HK\$786,814,000) that are expected to complete after one year from the end of the reporting period.

**29. TRADE AND OTHER RECEIVABLES**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
An analysis of trade and other receivables is as follows:		
Trade receivables, net carrying values	160,561	4,015
Chips on hand	134,165	–
Other receivables, net carrying values	100,489	114,538
Deposits and prepayments	50,011	21,742
	<u>445,226</u>	<u>140,295</u>

An aged analysis of the Group's trade receivables (net of allowances) based on the date of credit granted at the end of the reporting period is set out as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
0 – 30 days	98,620	2,649
31 – 90 days	31,216	1,174
91 – 180 days	9,105	64
Over 180 days	21,620	128
	<u>160,561</u>	<u>4,015</u>

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

No credit period were granted to tenants of rental of premises. Before accepting any new tenant, the Group will internally access the credit quality of the potential tenants.

No credit period were granted to hotel customers generally except for those high credit rating customers to which an average credit period of 30 days were granted.

For gaming operation, the Group normally allows credit periods of up to 60 days to its trade customers, except for certain credit worthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

Included in other receivables are amounts due from related companies of HK\$14,068,000 (2009: HK\$18,409,000). These related companies are companies in which a deemed substantial shareholder of the Company has beneficial interest.

Included in the Group's trade receivable balances are debtors with carrying amounts of HK\$2,832,000 (2009: HK\$2,034,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Included in the trade receivable balances are debtor balances of HK\$38,070,000 (2009: nil) that would otherwise be past due or impaired have the terms not been renegotiated. The Group does not hold any collateral over these balances.

#### Aging of trade receivables which are past due but not impaired

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Overdue for:		
1 – 30 days	1,408	668
31 – 90 days	839	1,174
91 – 180 days	457	64
Over 180 days	128	128
	<u>2,832</u>	<u>2,034</u>

#### Movement in the allowance for bad and doubtful debts

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At 1st April	2,794	3,508
Impairment loss reversed	(416)	(703)
Amounts written off	(227)	(11)
	<u>2,151</u>	<u>2,794</u>

The Group's management closely monitors the credit quality of debtors and considers the debtors that are neither past due nor impaired to be of a good credit quality as continuous partial repayments are received from these debtors.

#### 30. INVESTMENTS IN TRADING SECURITIES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trading securities shown under current assets:		
Shares listed in Hong Kong, at market value	<u>1</u>	<u>90</u>

#### 31. DEPOSITS IN DESIGNATED BANK ACCOUNT FOR DEVELOPMENT PROPERTIES

The amount of HK\$198,892,000 (2009: HK\$220,934,000) (equivalent to approximately RMB174,870,000 (2009: RMB194,870,000)) was deposited to a bank account designated under北京朝陽區房屋管理局 as a deposit for resettlement for the investment properties under development in the PRC. Such bank deposits are restricted for settlement in relation to the resettlement work.

**32. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH**

Pledged bank deposit represents deposit pledged to bank to secure short-term banking facilities granted to the Group.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, and carry interests at prevailing market rates which range from 0.01% to 2.25% (2009: 0.01% to 3.28%) per annum.

**33. TRADE AND OTHER PAYABLES**

An aged analysis of the Group's trade payables based on invoice date at the end of the reporting period is set out below:

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	27,861	3,867
91 – 180 days	120	54
Over 180 days	117	20
	<u>28,098</u>	<u>3,941</u>
Construction payables and accruals	419,817	240,603
Other payables and accruals	116,679	39,304
Customers' deposits	113,778	91,442
Short-term advance	15,000	–
Deposits received from pre-sales of properties	2,503	373,615
	<u>695,875</u>	<u>748,905</u>

**34. AMOUNT DUE TO A RELATED COMPANY**

The amounts are unsecured, carries interest ranging from HIBOR + 0.95% to HIBOR + 1.05% (2009: HIBOR + 0.55% to HIBOR + 1.00%) per annum. At 31st March, 2010, the related company has agreed not to demand for payment from the Group within one year from the end of the reporting period (2009: the amount was repayable on demand).

The effective interest rate on the amount is 1.12% (2009: 1.88%) per annum.

The related company is a wholly-owned subsidiary of The Albert Yeung Discretionary Trust (the "AY Trust").

**35. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES**

	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-free amounts	298,866	19,504
Less: Amounts due within one year shown under current liabilities	(136,532)	(19,504)
	<u>162,334</u>	<u>–</u>

Amounts due to minority shareholders of subsidiaries comprises:

- (i) Amount of HK\$19,504,000 (2009: HK\$19,504,000) which is unsecured, interest-free and repayable on demand.
- (ii) Amount of HK\$279,362,000 (2009: nil) interest-free shareholders' loans due to minority shareholders of Luck United.

In accordance with the contractual terms of the shareholders' agreements, the interest-free amounts are to be repaid from surplus fund, which represents cash available in Luck United, an indirect non-wholly owned subsidiary, and its subsidiaries, after payment of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. Imputed interest on these advances had been computed at an original effective interest rate of 5% and a projection on the timing of realisation of surplus fund according to budget approved by the management of Luck United.

During the Year, the Group partially repaid the principal of the interest-free shareholders' loans of HK\$10,000,000. The principal amount outstanding as at 31st March, 2010 was HK\$306,000,000. As at 31st March, 2010, the Group revised its estimates of repayments of the amounts due to minority shareholders of a subsidiary and adjusted the carrying amount of the amounts due to minority shareholders of a subsidiary in accordance with the revised estimated cash flows. The Group recalculated the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate. This resulted in a decrease of HK\$10,665,000 being adjusted to the carrying amount of minority interests in the current year.

In the opinion of the Directors of the Company, the carrying amount of the amounts due to minority shareholders of HK\$162,334,000 is not expected to be repaid in the next twelve months from the end of the reporting period based on the cash flow forecasts and the estimation on future surplus fund. Accordingly, the carrying amount of HK\$162,334,000 is shown as non-current.

### 36. SECURED BANK BORROWINGS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The bank borrowings are repayable as follows:		
Within one year	1,797,350	1,226,529
Between one to two years	880,872	250,980
Between two to three years	535,283	424,331
Between three to four years	252,808	363,997
Between four to five years	213,639	131,397
Over five years	1,550,734	623,881
	<u>5,230,686</u>	<u>3,021,115</u>
Less: Amounts due within one year shown under current liabilities	<u>(1,797,350)</u>	<u>(1,226,529)</u>
Amounts due after one year	<u><u>3,433,336</u></u>	<u><u>1,794,586</u></u>

The bank borrowings carried interest ranging from HIBOR + 0.55% to HIBOR + 2.10% (2009: HIBOR + 0.55% to HIBOR + 2.00%) per annum and are secured by certain of the Group's assets. The carrying values of these assets at the end of the reporting period were as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Investment properties	10,097,600	5,811,670
Properties under development	2,318,753	542,759
Buildings, including relevant prepaid lease payments	87,928	90,140
Hotel properties, including relevant prepaid lease payments	1,492,019	326,142
Bank deposits	300	–
	<u>13,996,600</u>	<u>6,770,711</u>

The effective interest rate on the Group's borrowings is 1.20% (2009: 3.21%) per annum.

### 37. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the Year.

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Development costs capitalised</b> <i>HK\$'000</i>	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st April, 2008	(65,855)	–	(286,954)	28,773	(324,036)
Change in tax rate	4,218	–	16,397	(1,644)	18,971
(Charge) credit to profit or loss	(11,533)	–	166,643	(23,493)	131,617
Credit to equity	–	–	174	–	174
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31st March, 2009	(73,170)	–	(103,740)	3,636	(173,274)
Acquisition of subsidiaries ( <i>note 42</i> )	(27,092)	(4,191)	(199,953)	16,756	(214,480)
(Charge) credit to profit or loss	(6,517)	–	(288,814)	3,281	(292,050)
Credit to equity	–	–	247	–	247
	<u>–</u>	<u>–</u>	<u>247</u>	<u>–</u>	<u>247</u>
At 31st March, 2010	<u>(106,779)</u>	<u>(4,191)</u>	<u>(592,260)</u>	<u>23,673</u>	<u>(679,557)</u>

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset.

At 31st March, 2010, the Group had tax losses of HK\$1,030,366,000 (2009: HK\$929,183,000) available for offset against future profits. Deferred tax asset has been recognised in respect of HK\$151,297,000 (2009: HK\$22,036,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$879,069,000 (2009: HK\$907,147,000) due to the unpredictability of future profit streams.

Included in the Group's tax losses at 31st March, 2010 is HK\$225,488,000 arising from acquisition of EEH, of which HK\$139,633,000 has been recognised as deferred tax asset. Included in unrecognised tax losses were losses of HK\$1,547,000 and HK\$12,291,000 that would expire in 2011 and 2012, respectively. The remaining tax losses of the Group might be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$105,419,000 (2009: HK\$239,190,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.



Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$146,108,000 (2009: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### 38. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
THE COMPANY		
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st April, 2008, 31st March, 2009, 1st April, 2009 and 31st March, 2010	500,000,000,000	5,000,000
Issued and fully paid:		
At 1st April, 2008, 31st March, 2009 and 1st April, 2009	1,775,246,134	17,752
Increase in shares upon the Allotment ( <i>note (a)</i> )	193,064,706	1,931
Increase in shares upon the conversion of convertible bond ( <i>note (b)</i> )	1,000,000,000	10,000
At 31st March, 2010	2,968,310,840	29,683

*Notes:*

- (a) Pursuant to the completion of the sale and purchase agreement on 28th August, 2009, the Company issued and allotted 193,064,706 shares to Hidy Investment Limited (“Hidy”) for the acquisition of 10% equity interest in Luck United, a nonwholly owned subsidiary of EEH, and loan due to Hidy by Luck United. Details are set out in note 42.
- (b) On 10th March, 2010, the holder of the convertible bond exercised its right to convert the whole part of the principal amount of the convertible bond into fully-paid ordinary shares. Exercise in full of such convertible bond resulted in the issue of 1,000,000,000 additional shares.

The shares issued rank *pari passu* in all respects with the then existing shares of the Company.

### 39. SHARE OPTION SCHEME

#### Share option scheme of the Company

The Company adopted a share option scheme (the “Scheme”) which became effective on 9th September, 2003 (the “Adoption Date”). The primary purpose of the Scheme is to provide incentives or rewards to the participants including the Directors and eligible employees of the Group, for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that were valuable to the Group or any entity in which the Group held an equity interest.

Under the Scheme, the Directors of the Company are authorised, at any time within ten years after the Adoption Date, to offer 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 price of the Company’s shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a

Company's share. The total number of shares in respect of which options may be granted under the Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any Participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

The outstanding share options, which were granted to the Directors of the Company under the Scheme are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options outstanding at 1st April, 2008, 31st March, 2009 and 31st March, 2010
11.8.2005	11.8.2005–10.8.2015	1.88	20,000,000
28.1.2008	28.1.2008–27.1.2013	2.91	17,500,000
		<hr/>	<hr/>
			<u>37,500,000</u>

The share options granted were vested immediately at the date of grant.

During the Year, no share options were granted under the Scheme by the Company.

#### Share option scheme of EEH

EEH adopted a share option scheme (the "EEH Scheme") on 2nd September, 2002 (the "EEH Adoption Date"), the primary purpose of which is to provide incentives or rewards to participants including the directors and eligible employees of EEH.

Under the EEH Scheme, the directors of EEH are authorised, at any time within ten years after the EEH Adoption Date, to grant options to any participants to subscribe for shares in EEH at a price not less than the highest of (i) the closing price of EEH shares on the date of grant; (ii) the average closing prices of EEH shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of EEH share. The total number of shares in respect of which options may be granted under the EEH Scheme cannot exceed 10% of the total number of shares in issue on the EEH Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the EEH Scheme and any other share option scheme of EEH, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

On 11th August, 2005, a total of 10,000,000 share options were granted by EEH to two directors of EEH who are also directors of the Company at an exercise price of HK\$2.20 under the terms of the EEH Scheme. The options were vested immediately at the date of grant.

The outstanding share options, which were granted to the directors of EEH are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options outstanding at 1st April, 2008, 31st March, 2009 and 31st March, 2010
11th August, 2005	11.8.2005–10.8.2015	2.20	10,000,000

The share options granted were vested immediately at the date of grant. During the Year, no share options were granted by EEH under the EEH Scheme.

#### 40. CONVERTIBLE BOND

On 3rd September, 2009, the Company issued convertible bond with a nominal value of HK\$1,200,000,000 to Eternally Smart Limited (“Eternally Smart”), a related company. Eternally Smart is a wholly owned subsidiary of the AY Trust. The bond bears interest from the date of issue at a rate of the HIBOR plus 1.5% per annum and matures on 2nd September, 2014. It may be converted into ordinary shares of the Company at a conversion price of HK\$1.20 per ordinary share, subject to anti-dilutive adjustments. Upon full conversion, the convertible bond shall be converted into 1,000,000,000 ordinary shares of the Company. The Company is entitled to redeem the convertible bond at 100% of its principal amount at any time after six months from the date of issue of the convertible bond until the maturity date.

The consideration for the subscription of convertible bond was settled through current account of Eternally Smart.

The convertible bond was split into liability (including the value of closely-related early redemption option held by the Company) and equity components of HK\$729,421,000 and HK\$470,579,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount to the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible bond reserve. The effective interest of the liability component is 16% per annum.

On 10th March, 2010, all convertible bond was converted into 1,000,000,000 ordinary shares by the bond holder at a conversion price of HK\$1.20 per ordinary share.

The movement of the liability component of the convertible bond for the year is set out below:

	2010 HK\$'000
Recognised during the year	729,421
Interest charge ( <i>note 11</i> )	59,529
Interest paid	(9,581)
Conversion during the year	(779,369)
	<hr/>
Carrying amount at the end of the year	–

**41. MINORITY INTERESTS**

Included in minority interests as at 31st March, 2010 was a deemed contribution by minority shareholders of HK\$10,665,000 (2009: nil), arising from adjustment of fair value at initial recognition and subsequent measurement (see note 35 for details) of certain loans from the minority shareholders of a subsidiary which agreed to contribute interest-free shareholders' loans in accordance with their shareholdings.

**42. ACQUISITION OF SUBSIDIARIES****I. Acquisition of additional equity interest in EEH**

- (a) On 7th July, 2009, Worthy Strong Investment Limited ("Worthy Strong"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Hidy for the acquisition of 10% equity interest in Luck United, a non-wholly owned subsidiary of EEH, and loan due to Hidy by Luck United of HK\$72,938,000 (the "Transaction 1"). The consideration for this acquisition was satisfied by the allotment and issue of 193,064,706 shares of the Company at HK\$1.14 per share, being the market price of share of the Company at completion date and cash payment of HK\$2,552,000.

On the same date, Great Assets Holdings Limited ("Great Assets"), an indirectly wholly-owned subsidiary of EEH entered into another sale and purchase agreement with Worthy Strong, for the acquisition of 10% equity interest in Luck United together with the loan due from Luck United to Worthy Strong of HK\$72,938,000 (the "Transaction 2"). The consideration for this acquisition was satisfied by the allotment and issue of 281,322,857 shares of EEH at HK\$0.79 per share, being the market price at completion date and cash payment of HK\$2,552,000.

Transaction 1 and Transaction 2 were arranged on a back-to-back basis. Accordingly, the initial considerations for Transaction 1 and Transaction 2 were set at the same amounts at the timing of entering the sale and purchase agreements. The transactions are considered as issue of 193,064,706 shares of the Company in exchange of 281,322,857 shares of EEH. The financial impact of change in market prices of the Company's shares and EEH's shares from agreement date to the date of completion is not considered as significant. Accordingly, the consideration for the 12.31% equity interest in EEH is determined based on issue of 193,064,706 shares of the Company at HK\$1.14 per share.

Details of the Transaction 1 and Transaction 2 were disclosed in the circular issued by the Company dated 11th August, 2009.

Upon the completion of the Transaction 1 and Transaction 2 on 28th August, 2009, EEH's equity interest in Luck United increased from 50% to 60%. The Group's equity interest in EEH increased from approximately 43.43% to 55.74%. EEH then became a subsidiary of the Group. The acquisition of 12.31% equity interest in EEH has been accounted for as a business combination using the purchase method in accordance with HKFRS 3 "Business Combinations".

The net assets acquired in the transaction, and the discount on acquisition arising, are as follows:

	EEH's carrying amount before combination <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Net assets acquired:			
Investment properties	1,553,600	–	1,553,600
Property, plant and equipment	936,200	40,662	976,862
Prepaid lease payments	255,738	84,862	340,600
Deposits paid for acquisition of properties, plant and equipment	14,764	–	14,764
Inventories	5,263	–	5,263
Debtors, deposits and prepayments	301,279	–	301,279
Bank balances and cash	663,087	–	663,087
Pledged bank deposit	300	–	300
Creditors, customer's deposits and accrued charges	(389,841)	–	(389,841)
Amounts due to related companies	(15)	–	(15)
Amounts due to minority shareholders of subsidiaries	(291,928)	–	(291,928)
Taxation payable	(72,891)	–	(72,891)
Dividend payable	(23,266)	–	(23,266)
Secured bank borrowings	(154,691)	–	(154,691)
Deferred taxation	(199,417)	(15,063)	(214,480)
	<u>2,598,182</u>	<u>110,461</u>	<u>2,708,643</u>
Minority interests			<u>(1,438,374)</u>
			<u>1,270,269</u>
Net assets attributable to additional 12.31% equity interest in EEH held by the Group			323,782
Net assets attributable to previous 43.43% equity interest in EEH held by the Group			
– interest in associates			917,703
– asset revaluation reserve			28,784
			<u>1,270,269</u>
Total consideration for additional 12.31% equity interest in EEH:			
Shares issued at HK\$1.14 per share			220,094
Transaction cost paid			1,136
			<u>221,230</u>
Discount on acquisition of additional 12.31% equity interest in EEH			102,552
			<u>323,782</u>
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			663,087
Less: Transaction cost paid			(1,136)
			<u>661,951</u>

The Directors of the Company have reassessed the identification and measurement of fair values of EEH's identifiable assets, liabilities and contingent liabilities and the cost of acquisition. The net fair value of the identifiable assets, liabilities and contingent liabilities of EEH attributable to the 12.31% equity interest acquired by the Group exceeded the cost of acquisition by an amount of HK\$102,552,000, which represented a discount on acquisition of EEH, and has been recognised in the consolidated statement of comprehensive income for the year ended 31st March, 2010.

The Directors of the Company, after the reassessment, consider that the discount on acquisition was due to the fact that the market price was lower compared to the net fair value of the identifiable assets, liabilities and contingent liabilities of EEH attributable to the 12.31% equity interest acquired by the Group.

In the assessment of the fair value of EEH's contingent liabilities in respect of the two legal cases as disclosed in note 47 (a) and (b), the Directors of the Company are of the opinion that their fair values were insignificant.

EEH contributed HK\$200,329,000 to the Group's profit for the period between the date of EEH becoming a subsidiary and the end of the reporting period.

If the acquisition had been completed on 1st April, 2009, total group revenue for the year would have been HK\$1,785,746,000, and profit for the Year would have been HK\$3,187,186,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2009, nor is it intended to be a projection of future results.

- (b) On 22nd October, 2009, the Group further acquired 1.76% equity interest in EEH for cash consideration of approximately HK\$20,503,000. The increase in discount on acquisition of additional interest in a subsidiary and decrease in minority interests arising on the further acquisition amounted to approximately HK\$20,616,000 and HK\$41,119,000 respectively.

**II. The Group recorded the acquisitions of other subsidiaries as purchases of assets for both years as follows:**

- (a) In April 2008, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Oriental Press Group Limited ("Oriental Press Group"), a company incorporated in Hong Kong with limited liability with its shares listed on the Stock Exchange, to acquire (i) the entire issued share capital of Oriental Press Centre Limited ("Oriental Press"), and (ii) all amount due from Oriental Press to Oriental Press Group, at a consideration of approximately HK\$515,561,000. Oriental Press was a wholly-owned subsidiary of Oriental Press Group. The major asset of Oriental Press is an industrial building for rental purpose.
- (b) In April 2008, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Global Food Culture Group Limited ("Global Food") to acquire (i) the entire issued share capital of Ever Resources International Limited ("Ever Resources"); and (ii) all amount due from Ever Resources to Global Food at a consideration of approximately HK\$28,297,000. Ever Resources was a wholly-owned subsidiary of Global Food. The major assets of Ever Resources are a property for redevelopment for sale purposes and bank balances of HK\$924,000. Global Food and Ever Resources are subsidiaries under the AY Trust.
- (c) In May 2008, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Multifold Group Limited ("Multifold Group"), to acquire (i) the entire issued capital of Genuine Gold Limited and (ii) all amount due from Genuine Gold Limited to Multifold Group, at a consideration of approximately HK\$164,505,000. Genuine Gold Limited is principally engaged in the business of property investment. Multifold Group is a wholly-owned subsidiary of Allmighty Group Limited, which is in turn owned as to 72% indirectly by the Trust. Genuine Gold was a wholly-owned subsidiary of Multifold Group. The major asset of Genuine Gold Limited is a commercial property for rental purpose.

- (d) In October 2009, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Ever Discovery Limited, an independent third party, to acquire the entire issued capital of Lion Castle Limited (“Lion Castle”) at a consideration of approximately HK\$19,833,000. Lion Castle is an investment holding company, its principal subsidiaries are engaged in the business of property investment. The major assets of its subsidiaries are residential and industrial properties for rental purpose and bank balances of HK\$233,000.
- (e) In December 2009, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Dannette Holdings Limited, an independent third party, to acquire the entire issued share capital of Pizzicato Limited at a consideration of HK\$935,000,000. Pizzicato Limited was engaged in property investment. The major assets of Pizzicato Limited are shopping complex with car parking spaces for rental purpose and bank balances of HK\$1,359,000.

#### 43. COMMITMENTS

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Authorised but not contracted for in respect of:		
– properties under development for sale	1,321,853	1,020,578
– investment properties	1,704,239	1,281,645
	<u>3,026,092</u>	<u>2,302,223</u>
Contracted for but not provided in the consolidated financial statements, net of deposits paid, in respect of:		
– properties under development for sale	81,833	143,071
– investment properties	690,862	37,360
– property, plant and equipment	13,089	2,274
	<u>785,784</u>	<u>182,705</u>
	<u><u>3,811,876</u></u>	<u><u>2,484,928</u></u>

#### 44. OPERATING LEASE COMMITMENTS

##### The Group as lessee

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Operating lease rentals paid and payable for the year in respect of rented premises	<u>2,907</u>	<u>2,067</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under noncancellable operating leases in respect of rented premises, which fall due as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Within one year	2,930	1,082
In the second to fifth year inclusive	524	715
	<u>3,454</u>	<u>1,797</u>

The leases were negotiated for terms ranging from 1 and 2 years and the rentals are pre-determined and fixed.

**The Group as lessor**

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Operating lease rentals received and receivable for the year in respect of investment properties	<u>339,618</u>	<u>292,505</u>

At the end of the reporting period, the Group had contracted with tenants to receive the following future minimum lease payments in respect of premises in the completed investment properties, which fall due as follows:

	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Within one year	292,512	266,267
In the second to fifth years inclusive	273,655	322,947
Over five years	—	781
	<u>566,167</u>	<u>589,995</u>

Certain premises in the Group's completed investment properties have committed tenants for the tenancy ranging from 1 to 6 years and the rentals are pre-determined at fixed amounts except for certain leases of which contingent rentals are charged based on the percentage of sales. The contingent rental income recognised during the year is HK\$10,153,000 (2009: HK\$10,425,000). The lease commitments presented above is based on the existing committed monthly minimum lease payments.

**45. MAJOR NON-CASH TRANSACTIONS**

- (a) During the Year, for additions of investment properties and investment properties under development of HK\$31,450,000 and HK\$1,380,000 respectively were settled by utilising deposits paid in prior year (2009: investment properties and property, plant and equipment of HK\$81,930,000 and HK\$9,961,000 respectively).
- (b) During the Year, the Company issued convertible bond with a nominal value of HK\$1,200,000,000 to a related company. The consideration for the subscription of convertible bond was settled through current account of the related company.

**46. EVENT AFTER THE REPORTING PERIOD**

On 1st April, 2010, Good Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Gain Wealth Investments Limited ("Gain Wealth"), a related company, to acquire the entire issued share capital of Richfield Development Limited ("Richfield") at a consideration of approximately HK\$16,900,000. Gain Wealth is a wholly owned subsidiary of the AY Trust. Richfield is an investment holding company holding 100% equity interest in Shinning World Investments Limited ("Shinning World") which is engaged in property investment. The major asset of Shinning World is a commercial property for rental purpose. The transaction was completed on 3rd May, 2010 and accounted for as acquisition of assets.



## 47. CONTINGENT LIABILITIES

- (a) In October 2006, EEH commenced legal proceedings against the JV Partner in Shanghai, the PRC, for termination of the JV Agreement in respect of the development of the EEH's property in Shanghai as a result of the JV Partner's failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. EEH also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the project and further contribution by the JV Partner of outstanding payment and construction costs totalling RMB83,620,000 (equivalent to HK\$95,107,000). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100,000,000 (equivalent to HK\$113,737,000) as damages for breach of the JV Agreement. The PRC lawyers representing EEH were of the view that it is probable for EEH to terminate the JV Agreement, and the JV Partner's counterclaim would not be supported by the court. Therefore, no provision was made by EEH and the Group. The legal case is still in the progress as at the date these consolidated financial statements were authorised for issuance.
- (b) In January 2007, EEH was sued jointly with its contractor for MOP3,500,000 (equivalent to HK\$3,352,000) for injuries suffered by a third party in an accident which happened in 2005 in the premises of the Grand Emperor Hotel when the hotel was under renovation. The ultimate outcome of the case is not determinable at this stage. No provision was made by EEH as EEH is of the view that the contractor and its insurer should be responsible for paying any damages awarded to the plaintiff.
- (c) In July 2008, Gold Shine Investment Limited ("Gold Shine"), an indirectly held subsidiary of the Company, commenced legal proceedings seeking declarations from the court in respect of the interpretation of the government lease relating to its investment properties under development situated in Repulse Bay. A land premium may have to be paid to the government of HKSAR in order for the properties to be rent out if the result of declarations is unfavourable to the Group. The Court of the first instance declined to grant the declarations sought. Gold Shine has lodged an appeal. The proceeding was still in progress up to the date these consolidated financial statements were authorised for issuance. The Group is of the view that the ultimate outcome of the case is not determinable at this stage and no provision was made by the Group.

## 48. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed in notes 34, 35, 40, 42 I (a) and 42 II (b) and (c), the Group also had the following significant transactions with related parties:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising and other expenses to related companies	1,706	2,787
Commission to Dr. Albert Yeung, a deemed substantial shareholder of the Company in capacity of a patron of the Group's VIP rooms	1,490	–
Hotel and restaurant income from related companies	1,165	517
Interest expenses to a related company	26,534	32,586
Professional and service fees income from an associate and related companies	617	684
Rental income from related companies	102,571	82,213
Secretarial fee expenses to a related company	435	273
Share of administrative expenses by:		
– related companies	41,766	30,196
– an associate	2,076	8,689
	<u>          </u>	<u>          </u>

*Note:* Certain Directors, key management personnel and a deemed substantial shareholder of the Company have significant influence or are deemed to have significant influence in the above related companies.

- (b) The key management personnel of the Company are Directors of the Company. Details of the remunerations are set out in note 13.

## 49. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2009 and 31st March, 2010, are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital <sup>1</sup>	Proportion of nominal value of issued share capital held by the Group		Principal activities
			2010 %	2009 %	
<b>Directly held</b>					
Emperor Investment Limited	Hong Kong	1,000	100.00	100.00	Investment holding
<b>Indirectly held</b>					
Active Pace Investment Limited	Hong Kong	100	100.00	100.00	Property investment
Actmore Estate Limited	Hong Kong	1,000,000	100.00	100.00	Property investment
Affluent Travel Services Limited	Hong Kong	500,000	34.50 <sup>2</sup>	100.00	Provision of travel agency services
Arch Concept Limited	Hong Kong	2	100.00	100.00	Property development
Asian Glory Limited	Macau	MOP25,000	34.50 <sup>2</sup>	–	Property holding
Bo Shing Real Estate Limited	Hong Kong	1,002	100.00	100.00	Investment holding and property investment
Century Creations Limited	Hong Kong	10,000	100.00	100.00	Property development
Champion Collection Limited	Hong Kong	1	100.00	100.00	Property investment
Chance Yield Development Limited	Hong Kong	2	100.00	100.00	Property investment
Cherish Will Limited	Hong Kong	2	100.00	100.00	Property investment
Crown Source Development Limited	Hong Kong	2	100.00	100.00	Property development
Diamond Faith Company Limited	Hong Kong	2	100.00	100.00	Property development
Diamond King Limited	Hong Kong	2	100.00	100.00	Property investment
Distinct Rich Limited	Hong Kong	1,002	100.00	100.00	Investment holding and property investment
Eastgate Investments Limited	Hong Kong	2	100.00	100.00	Property development
eDaily Systems Limited	Hong Kong	2	100.00	100.00	Property investment
EIL Property Management Limited	Hong Kong	100	100.00	100.00	Provision of property management services

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital <sup>1</sup>	Proportion of nominal value of issued share capital held by the Group		Principal activities
			2010 %	2009 %	
Elegant Hero Enterprise Limited	Hong Kong	100	100.00	100.00	Restaurant operation
Emperor (Beijing) Real Estate Development Limited	PRC	760,000,000	100.00	100.00	Property development
Emperor (Shanghai) Co., Ltd. <sup>3</sup>	PRC	US\$45,000,000	57.50 <sup>2</sup>	–	Property development
Emperor (Xiamen) Real Estate Investments Limited <sup>4</sup>	PRC	US\$5,000,000	97.19	97.19	Property development
Emperor Entertainment Hotel Management Limited	Macau	MOP25,000	57.50 <sup>2</sup>	–	Provision of project financing services
EEH <sup>5</sup>	Bermuda	129,255	57.50	–	Hotel and gaming operation
Emperor Hotel (HK) Limited	Hong Kong	2	100.00	100.00	Property investment and hotel operations
Emperor Hotel Limited	Hong Kong	2	100.00	100.00	Property development
Emperor International Square Limited	Hong Kong	2	100.00	100.00	Property investment
Emperor Investment (Management) Limited	Hong Kong	100	100.00	100.00	Provision of management services
Emperor Project Management (Hong Kong) Limited	Hong Kong	100	100.00	100.00	Provision of project management services
Emperor Property Agency Limited	Hong Kong	100	100.00	100.00	Provision of property agency services
Express Honor Enterprises Limited	Hong Kong	1	100.00	100.00	Property investment
Fai Iek Limited	Macau	MOP25,000	100.00	100.00	Property investment
Forever Crown Limited	Hong Kong	2	100.00	100.00	Property investment
Gallan Limited	Hong Kong	2	100.00	100.00	Property development
Gold Shine	Hong Kong	2	97.67	97.62	Property development
Golden Pegasus Investment Limited	Hong Kong	100,000	100.00	100.00	Property investment
Great Assets Holdings Limited	British Virgin Islands/Macau	US\$50	57.50 <sup>2</sup>	–	Investment holding

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital <sup>1</sup>	Proportion of nominal value of issued share capital held by the Group		Principal activities
			2010 %	2009 %	
Great Future Hong Kong Limited	Hong Kong	2	100.00	100.00	Property investment
Headwise Investment Limited	Hong Kong	2	100.00	100.00	Property investment
Hoi Tin Marine Products Limited	Hong Kong	10,000	100.00	100.00	Property investment
I Soi Limited	Macau	MOP25,000	100.00	100.00	Property investment
I Veng Limited	Macau	MOP25,000	100.00	100.00	Property investment
Jade Palace Properties Limited	Hong Kong	10,000	100.00	100.00	Property investment
Joyful Star Corporation Limited	Hong Kong	1	100.00	100.00	Property investment
Keen Million Limited	British Virgin Islands/Macau	US\$1	34.50 <sup>2</sup>	–	Mass market operation
Keenpower Base Limited	Hong Kong	1	100.00	100.00	Property investment
Lavergem Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	57.50 <sup>2</sup>	–	Investment holding
Lord Link Limited	Hong Kong	1	100.00	100.00	Property investment
Luck United	British Virgin Islands	US\$10,000	34.50 <sup>2</sup>	–	Investment holding
Majesty Investments Limited	Hong Kong	2	100.00	100.00	Property trading
Max Intelligence Limited	Hong Kong	1	100.00	100.00	Property investment
National Goal Limited	Hong Kong	2	100.00	100.00	Property investment
Pacific Strong Bases (Holding) Company Limited	Macau	MOP500,000	34.50 <sup>2</sup>	–	Hotel operation
Planwing Limited	Hong Kong	2	100.00	100.00	Property investment
Pleasure View Investment Limited	Hong Kong	2	100.00	100.00	Property investment
Precision Faith Limited	Macau	MOP100,000	57.50 <sup>2</sup>	–	VIP room operation and provision of gaming-related marketing and public relation services
Prestige Gold Investment Limited	Hong Kong	100	100.00	100.00	Property holding
Profit Crest Limited	Hong Kong	1	100.00	100.00	Property development
Rich Gallant Investment Limited	Hong Kong	2	100.00	100.00	Property development

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital <sup>1</sup>	Proportion of nominal value of issued share capital held by the Group		Principal activities
			2010 %	2009 %	
Richorse Limited	Hong Kong	2	100.00	100.00	Property investment
Right Achieve Limited	British Virgin Islands/Macau	US\$1	34.50 <sup>2</sup>	–	Investment holding
Royal Arcardia Limited	Hong Kong	2	100.00	100.00	Property investment
Shining Silver Limited	Hong Kong	1	100.00	100.00	Property investment
Super Harmony Holdings Limited	Hong Kong	1	100.00	100.00	Property investment
Super Park Internation Company Limited	Macau	MOP25,000	34.50 <sup>2</sup>	–	Holding and leasing of motor vehicles
Superb Quo Limited	Hong Kong	2	100.00	–	Property development
Tin Hou Limited	Macau	MOP25,000	57.50 <sup>2</sup>	100.00	Provision of management and promotion services of gaming operations
Union Reward International Limited	Hong Kong	1	100.00	100.00	Property investment
Very Sound Investments Limited	Hong Kong	10,000,000	100.00	100.00	Property investment
Webster Investments Company Limited	Hong Kong	1,000,000	100.00	100.00	Property development
World Fortune Corporation Limited	Hong Kong	2	100.00	100.00	Property investment
Worthy Strong Investment Limited	Hong Kong	100	100.00	100.00	Investment holding
Ying Wong Property Limited	Hong Kong	100	100.00	100.00	Property investment
Young Health Investments Limited	Hong Kong	2	100.00	100.00	Property investment

<sup>1</sup> All amounts are in Hong Kong dollars except stated otherwise.

<sup>2</sup> These companies are subsidiaries of EEH and became non-wholly owned subsidiaries of the Company after the acquisition of additional interest in EEH (note 42).

<sup>3</sup> Wholly owned foreign investment enterprise.

<sup>4</sup> A Sino-foreign corporative joint venture established in the PRC.

<sup>5</sup> EEH's shares are listed on the Stock Exchange.

All subsidiaries, except for those companies incorporated outside Hong Kong, carry on their businesses in Hong Kong unless stated otherwise.

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2010 and 31st March, 2009.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

### 3. FINANCIAL INFORMATION ON EIHL GROUP FOR SIX MONTHS ENDED 30 SEPTEMBER 2010

#### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2010

	Notes	Six months ended 30th September,	
		2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Turnover		833,870	638,575
Cost of sales		(576)	(214,917)
Cost of hotel and hotel related operations		(202,220)	(33,933)
Direct operating expenses		(13,617)	(10,926)
Gross profit		617,457	378,799
Other operating income – net		16,859	9,791
Selling and marketing expenses		(247,623)	(28,815)
Administrative expenses		(116,423)	(59,160)
Fair value change in investment properties		1,126,204	1,174,403
Impairment loss reversed in respect of properties under development		–	5,334
Discount on acquisition of a subsidiary		–	47,166
Profit from operations	4	1,396,474	1,527,518
Finance costs		(47,336)	(33,322)
Share of associates' results after taxation		–	18,129
Profit before taxation		1,349,138	1,512,325
Taxation	5	(233,514)	(174,928)
Profit for the Period		<u>1,115,624</u>	<u>1,337,397</u>
<b>Other comprehensive income:</b>			
Exchange difference arising on translation of foreign subsidiaries		26,282	866
Share of movements in translation reserve of an associate		–	154
Other comprehensive income for the Period		<u>26,282</u>	<u>1,020</u>
Total comprehensive income for the Period		<u>1,141,906</u>	<u>1,338,417</u>

		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2010</b>	<b>2009</b>
		(unaudited)	(unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the Period attributable to:</b>			
	Owners of the Company	997,244	1,323,736
	Minority interests	118,380	13,661
		<u>1,115,624</u>	<u>1,337,397</u>
<b>Total comprehensive income attributable to:</b>			
	Owners of the Company	1,020,329	1,324,756
	Minority interests	121,577	13,661
		<u>1,141,906</u>	<u>1,338,417</u>
Earnings per share – basic	6	<u>HK\$0.34</u>	<u>HK\$0.73</u>
Earnings per share – diluted	6	<u>HK\$0.34</u>	<u>HK\$0.68</u>

**Condensed Consolidated Statement of Financial Position***As at 30th September, 2010*

		As at	
		30th September, 2010	31st March, 2010
		(unaudited)	(audited) (restated)
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Investment properties	8 & 9	15,198,750	13,332,798
Property, plant and equipment	8	1,760,503	1,799,230
Deposits paid for acquisition of investment properties/property, plant and equipment		129,170	60,731
Interests in associates		142	142
Amount due from an associate		2,645	2,645
Deposits in designated bank account for development properties		56,960	198,892
Loans receivable		1,740	1,784
Goodwill		56,683	56,683
Other assets		4,442	4,442
		17,211,035	15,457,347
<b>Current assets</b>			
Inventories		7,041	7,343
Properties held for sale		18,007	18,467
Properties under development		2,525,640	2,460,641
Trade and other receivables	10	1,140,222	445,226
Investments in trading securities		1	1
Taxation recoverable		–	32
Pledged bank deposit		300	300
Bank balances and cash		1,084,032	892,256
		4,775,243	3,824,266
<b>Current liabilities</b>			
Trade and other payables	11	1,452,016	695,875
Amount due to a related company		482,933	–
Amounts due to minority shareholders of subsidiaries		119,981	136,532
Taxation payable		168,593	159,053
Secured bank borrowings – due within one year		2,547,663	1,797,350
		4,771,186	2,788,810
<b>Net current assets</b>		4,057	1,035,456
<b>Total assets less current liabilities</b>		17,215,092	16,492,803



	As at	
	30th September, 2010 (unaudited)	31st March, 2010 (audited) (restated)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Amount due to a related company	1,792,741	1,697,876
Amounts due to minority shareholders of subsidiaries	166,435	162,334
Secured bank borrowings – due after one year	2,751,889	3,433,336
Deferred taxation	886,793	679,557
	<u>5,597,858</u>	<u>5,973,103</u>
	<u>11,617,234</u>	<u>10,519,700</u>
Capital and reserves		
Share capital	29,683	29,683
Reserves	9,971,687	8,968,855
	<u>10,001,370</u>	<u>8,998,538</u>
Equity attributable to owners of the Company		
Minority interests	1,615,864	1,521,162
	<u>11,617,234</u>	<u>10,519,700</u>

## Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Translation reserve	Share option reserve	Asset revaluation reserve	Other reserve	Convertible loan notes equity reserve	Contributed surplus	Accumulated profits	Attributable to owners of the Company	Minority interests	Total
	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, 2010 (audited)	29,683	4,219,139	89,413	20,987	132,727	110	-	321,848	4,184,631	8,998,538	1,521,162	10,519,700
Profit for the Period	-	-	-	-	-	-	-	-	997,244	997,244	118,380	1,115,624
Exchange difference arising on translation of foreign subsidiaries	-	-	23,085	-	-	-	-	-	-	23,085	3,197	26,282
Total comprehensive income for the period	-	-	23,085	-	-	-	-	-	997,244	1,020,329	121,577	1,141,906
Recognition of fair value of amount due to a related company	-	-	-	-	-	101,083	-	-	-	101,083	-	101,083
Depreciation attributable to revaluation surplus	-	-	-	-	(924)	-	-	-	1,076	152	-	152
Deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(493)	(493)
Dividend paid to owners of the Company	-	-	-	-	-	-	-	(118,732)	-	(118,732)	-	(118,732)
Dividend paid to minority shareholders of subsidiary	-	-	-	-	-	-	-	-	-	-	(26,382)	(26,382)
As at 30th September, 2010 (unaudited)	29,683	4,219,139	112,498	20,987	131,803	101,193	-	203,116	5,182,951	10,001,370	1,615,864	11,617,234

**APPENDIX III**
**FINANCIAL INFORMATION ON EIHL GROUP**

	Share capital	Share premium	Translation reserve	Share option reserve	Asset revaluation reserve	Other reserve	Convertible loan notes equity reserve	Contributed surplus	Accumulated profits	Attributable to owners of the Company	Non- controlling interests	Total
	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, 2009 (audited)	17,752	2,761,028	85,738	20,987	105,368	110	-	416,327	1,384,954	4,792,264	(298)	4,791,966
Profit for the Period	-	-	-	-	-	-	-	-	1,323,736	1,323,736	13,661	1,337,397
Exchange difference arising on translation of foreign subsidiaries	-	-	866	-	-	-	-	-	-	866	-	866
Share of movements of an associate	-	-	154	-	-	-	-	-	-	154	-	154
Total comprehensive income for the Period	-	-	1,020	-	-	-	-	-	1,323,736	1,324,756	13,661	1,338,417
Issue of shares (net of expenses)	1,931	218,168	-	-	-	-	-	-	-	220,099	-	220,099
Issue of convertible bonds	-	-	-	-	-	-	470,579	-	-	470,579	-	470,579
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	1,205,205	1,205,205
Depreciation attributable to revaluation surplus	-	-	-	-	(441)	-	-	-	441	-	-	-
Deemed capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	15,991	15,991
Dividend paid by a subsidiary	-	-	-	-	-	-	-	(10,297)	-	(10,297)	-	(10,297)
As at 30th September, 2009 (unaudited)	19,683	2,979,196	86,758	20,987	104,927	110	470,579	406,030	2,709,131	6,797,401	1,234,559	8,031,960

## Condensed Consolidated Cash Flow Statement

	Six months ended	
	30th September,	
	2010	2009
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	314,159	172,831
Net cash (used in) generated from investing activities	(666,089)	526,013
Net cash generated from (used in) financing activities	542,355	(240,094)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	190,425	458,750
Effect of exchange rate changes	1,351	(2,167)
Cash and cash equivalents at the beginning of the Period	892,256	322,761
	<hr/>	<hr/>
Cash and cash equivalents at the end of the Period	<u>1,084,032</u>	<u>779,344</u>

## Notes to the Condensed Consolidated Financial Statements

### 1. BASIS OF PREPARATION

The unaudited 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”).

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the year ended 31st March, 2010.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2010 except as described below.

In the current interim Period, the Group has applied, for the first time, certain new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st April, 2010.

The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April, 2010.

As there was no transaction during the current interim Period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

As part of improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments for land in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April, 2010 based on information that existed at the inception of the leases. Leasehold lands that qualify for finance lease classification have been reclassified from prepaid lease payments for land to property, plant and equipment retrospectively. This resulted in a reclassification of comparative figures from prepaid lease payments for land with a previous carrying amount of HK\$612,097,000 to property, plant and equipment. No profit or loss items are affected as a result of the reclassification.

The application of other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

### 3. SEGMENT INFORMATION

For management purpose, the business segments of the Group are currently organised into lease of properties, properties development and hotel and hotel related operations. These divisions are the basis on which the Group reports its primary segment information. The segment results of lease of properties and properties development include administrative and running expenses for those properties under development.

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30th September,		30th September,	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Business segments</b>				
Lease of properties	188,948	158,333	1,300,395	1,302,205
Properties development	930	380,115	(70,949)	183,092
Hotel and hotel related operations	643,992	99,548	195,755	17,675
Others	–	579	–	384
	<u>833,870</u>	<u>638,575</u>	<u>1,425,201</u>	<u>1,503,356</u>
Interest income			2,880	1,465
Unallocated corporate expenses, net			(31,607)	(24,469)
Finance costs			(47,336)	(33,322)
Discount on acquisition of a subsidiary			–	47,166
Share of associates' results after taxation			–	18,129
Taxation			(233,514)	(174,928)
Profit for the Period			<u>1,115,624</u>	<u>1,337,397</u>

### 4. PROFIT FROM OPERATIONS

Profit from operations for the Period has been arrived at after charging amortisation and depreciation of approximately HK\$64,088,000 (2009: HK\$20,825,000) in respect of the Group's property, plant and equipment and crediting dividend income from securities of approximately HK\$Nil (2009: HK\$409,000).

## 5. TAXATION

	Six months ended 30th September,	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	(5,441)	(4,238)
PRC Enterprise Income Tax	–	(21,184)
PRC Land Appreciation Tax	(989)	(24,853)
Macau Complimentary Income Tax	(19,696)	(2,551)
	<u>(26,126)</u>	<u>(52,826)</u>
Deferred tax	(207,388)	(122,102)
	<u>(233,514)</u>	<u>(174,928)</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards

The Macau Complimentary Income Tax is calculated at the applicable rate of 12% of estimated assessable profits for the Period (2009: 12%).

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

## 6. EARNINGS PER SHARE

	Six months ended 30th September,	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
The calculation of basic and diluted earnings per share is based on the following data:		
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share	997,244	1,323,736
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	–	9,692
Earnings for the purpose of calculating diluted earnings per share	<u>997,244</u>	<u>1,333,428</u>

	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,968,310,840	1,811,116,079
Effect of dilutive potential ordinary shares:		
Convertible bonds	—	153,005,464
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,968,310,840</u>	<u>1,964,121,543</u>

The computation of diluted earnings per share does not assume the exercise of the Company's and EEH's (the Company's subsidiary) outstanding share options as the exercise prices of those options were higher than average market price of the Company's and EEH's shares during the Period.

#### 7. DIVIDEND

	Six months ended 30th September,	
	2010	2009
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend of HK\$0.04 per share for the year ended 31st March, 2010 paid during the interim Period (year ended 31st March, 2009: Nil)	<u>118,732</u>	<u>—</u>

In respect of the current interim Period, the Directors propose that an interim dividend of HK\$0.048 (2009: HK\$0.048) per share will be paid to shareholders.

#### 8. ADDITIONS TO INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the Period, the Group acquired investment properties, property, plant and equipment and properties under development amounting to approximately HK\$714,151,000, HK\$25,482,000 and HK\$64,999,000 (2009: HK\$81,414,000, HK\$18,903,000 and HK\$205,466,000) respectively.

#### 9. INVESTMENT PROPERTIES UNDER DEVELOPMENT

At 30th September, 2010, investment properties under development located at Repulse Bay, of which the construction work is virtually completed, are measured at cost of HK\$605,454,000. The properties are under a legal proceeding with the government of Hong Kong Special Administrative Region ("HKSAR") in relation to the interpretation of the government lease and may result in the Group paying a substantial amount of land premium to the government of HKSAR in order for the properties to be rent out. The uncertainty on the amount of potential land premium is significant that precludes the valuer from measuring its fair value reliably under the Residual Method.



**10. TRADE AND OTHER RECEIVABLES**

An aged analysis of Group's trade receivables (net of allowances) based on the date of credit granted at the end of the reporting period is set out as follows:

	<b>30th September, 2010</b>	<b>As at 31st March, 2010</b>
	(unaudited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	154,845	98,620
31 – 90 days	17,101	31,216
91 – 180 days	11,062	9,105
Over 180 days	29,740	21,620
	<hr/>	<hr/>
Chips on hand	212,748	160,561
Other receivables	135,171	134,165
Deposits and prepayments	694,910	100,489
	97,393	50,011
	<hr/>	<hr/>
	<b>1,140,222</b>	<b>445,226</b>
	<hr/> <hr/>	<hr/> <hr/>

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

No credit period were granted to tenants of rental of premises. Before accepting any new tenant, the Group will internally access the credit quality of the potential tenants.

No credit period were granted to hotel customers generally except for those high credit rating customers to which an average credit period of 30 days were granted.

For gaming operation, the Group normally allows credit periods of up to 60 days to its trade customers, except for certain credit worthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

Included in trade and other receivables are amounts due from related companies of HK\$9,861,000 (as at 31st March, 2010: HK\$14,068,000). These related companies are companies in which a deemed substantial shareholder of the Company has beneficial interest.

## 11. CREDITORS, CUSTOMER DEPOSITS AND ACCRUED CHARGES

An aged analysis of the Group's trade payables based on invoice date at the end of the reporting period is set out below:

	As at	
	30th September, 2010 (unaudited) <i>HK\$'000</i>	31st March, 2010 (audited) <i>HK\$'000</i>
0 – 90 days	31,777	27,861
91 – 180 days	904	120
Over 180 days	73	117
	<hr/>	<hr/>
Construction payables and accruals	32,754	28,098
Other payables and accruals	424,148	419,817
Customers' deposits	157,389	116,679
Short term advance	120,510	113,778
Deposit received from pre-sales of properties	15,000	15,000
	702,215	2,503
	<hr/>	<hr/>
	<b>1,452,016</b>	<b>695,875</b>
	<hr/> <hr/>	<hr/> <hr/>

## 12. CAPITAL COMMITMENTS

	As at	
	30th September, 2010 (unaudited) <i>HK\$'000</i>	31st March, 2010 (audited) <i>HK\$'000</i>
Authorised but not contracted for in respect of :		
– property under development for sale	654,857	1,321,853
– investment properties	1,906,763	1,704,239
	<hr/>	<hr/>
	2,561,620	3,026,092
	<hr/>	<hr/>
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property under development for sale	581,634	81,833
– investment properties	1,519,453	690,862
– property, plant and equipment	3,666	13,089
	<hr/>	<hr/>
	2,104,753	785,784
	<hr/>	<hr/>
	<b>4,666,373</b>	<b>3,811,876</b>
	<hr/> <hr/>	<hr/> <hr/>

## 13. RELATED PARTY TRANSACTIONS

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

- (a) The Group also had the following significant transactions with related parties during the Period

	Six months ended 30th September,	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Rental received from related companies	63,114	50,685
Share of administrative expenses by related companies	19,262	21,953
Professional and service fees income from related companies	633	277
Hotel and restaurant income from related companies	336	276
Advertising and other expenses to related companies	2,504	510
Secretarial fee to a related company	310	170
Commission to Dr. Albert Yeung, a deemed substantial shareholder of the Company in capacity of a patron of the Group's VIP rooms	388	300
Interest paid to a related company	10,133	10,968
	<u>63,114</u>	<u>85,149</u>

- (b) The key management personnel includes solely the Directors of the Company and the salaries and compensation paid to them is disclosed as follows:

	Six months ended 30th September,	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Fees	575	450
Salaries and other short term benefit	4,642	4,428
	<u>5,217</u>	<u>4,878</u>

- (c) Loan from related parties:

	As at	
	30th September, 2010 (unaudited) HK\$'000	31st March, 2010 (audited) HK\$'000
Amounts due to minority shareholders of subsidiaries	286,416	298,866
Amount due to a related company	2,275,674	1,697,876
	<u>2,562,090</u>	<u>1,996,742</u>

Related companies are companies in which a deemed substantial shareholder of the Company has beneficial interest.

## 14. CONTINGENT LIABILITIES

In October 2006, the Group commenced legal proceedings against the JV Partner in Shanghai, the PRC, for termination of the JV Agreement in respect of the development of the Group's property in Shanghai as a result of the JV Partner's failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. The Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the project and further contribution by the JV Partner of outstanding payment and construction costs totaling approximately RMB83,620,000 (equivalent to approximately HK\$96,840,000). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100,000,000 (equivalent to approximately HK\$115,809,000) as damages for breach of the JV Agreement. The PRC lawyers representing the Group were of the view that it is probable for the Group to terminate the JV Agreement, and the JV Partner's counterclaim would not be supported by the court. Therefore, no provision was made by the Group. The legal case was still in the progress as at the date these condensed consolidated financial statements were authorised for issuance.

In January 2007, the Group was sued jointly with its contractor for approximately MOP3,500,000 (equivalent to approximately HK\$3,352,000) for injuries suffered by a third party in an accident happened in 2005 in the premises of the Hotel when the hotel was under renovation. The insurance company of the contractor has recently agreed to pay the plaintiff MOP1,200,000 (equivalent to HK\$1,165,000) in full settlement of the plaintiff's claim and thus no provision was made by the Group.

In July 2008, Gold Shine an indirectly held subsidiary of the Company, commenced legal proceedings seeking declarations from the Court in respect of interpretation of the government lease relating to its investment properties under development situated in Repulse Bay. A land premium might have to be paid to the government of the HKSAR in order for the properties to be rent out if the result of declarations is unfavourable to the Group. The Court of the first instance declined to grant declarations sought. Gold Shine has lodged an appeal. The proceeding was still in progress up to the date these condensed consolidated financial statements were authorised for issuance. The Group is of the view that the ultimate outcome of the case is not determinable at this stage and no provision was made by the Group.

## 15. PLEDGE OF ASSETS

Certain assets of the Group were pledged to banks as security for banking facilities granted to the Group. The carrying values of these assets at the balance sheet date were as follows:

	As at	
	30th September, 2010 (unaudited) <i>HK\$'000</i>	31st March, 2010 (audited) <i>HK\$'000</i>
Investment properties	11,278,330	10,097,600
Properties under development	2,477,448	2,318,753
Land and buildings	86,822	87,928
Hotel properties	1,473,919	1,492,019
Bank deposit	300	300
	15,316,819	13,996,600

#### 4. INDEBTEDNESS

##### Borrowings

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, EIHL Group had outstanding borrowings of approximately HK\$7,713.22 million, comprising the of:

- (i) bank borrowings of approximately HK\$4,806.37 million, which are secured by properties of EIHL Group.
- (ii) the contractual amount due to a related company of approximately HK\$2,601.35 million. The amount is unsecured. The related company is a wholly-owned subsidiary of the AY Trust.
- (iii) the contractual amounts due to minority shareholders of subsidiaries of approximately HK\$305.50 million.

EIHL Group had outstanding legal cases as at 30 November 2010, details of which are set out under the section headed "Litigation" in Appendix VI to this Composite Document.

Save as aforesaid and apart from intra-group liabilities, EIHL Group did not, at as the close of business on 30 November 2010, have any mortgages, charges, debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The EIHL Directors confirm that save as disclosed below, there was no material change in the indebtedness status of EIHL Group since 30 November 2010 up to the Latest Practicable Date.

Since 30 November 2010 and up to the Latest Practicable Date, the bank borrowings as set out above had been increased by approximately HK\$204.04 million while the amount due to a related company as set out above had been decreased by approximately HK\$62.54 million.

#### 5. MATERIAL CHANGES

The EIHL Directors confirm that as at the Latest Practicable Date, save as the acquisition of Expert Pearl Group which is expected to be completed in February 2011 which affect the outlook of EIHL Group, there was no material change in the financial or trading position or outlook of EIHL Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of EIHL were made up.

## 6. FINANCIAL AND TRADING PROSPECT OF EIHL GROUP

The EIHL Directors consider that the market momentum is expected to continue in year 2011 despite continuing challenges in the local market. In the long-run, the Hong Kong government's measures to fine-tune the land supply arrangements and to stabilize property prices are expected to facilitate the healthy development of the property market. Underlying demand from end-users and investors will continue to lend solid support to both property transactions and prices, particularly in the segment for luxurious residential properties and prime retail locations. Meanwhile, the tightening policy initiated by the PRC government to regulate property prices will enable the mainland property market to grow steadily on a healthier track.

In light of the increasing number of mainland visitors over the years, EIHL Group will enjoy the benefit from the rising rental in prime shopping district area. EIHL Group will continue to upgrade and expand its leasing property portfolio with quality projects as well as optimise the tenant mix in order to achieve growth and higher yields from rental income. Riding on the rising market demand on luxury residential units, EIHL Group will dedicate to strengthen its residential property development business. EIHL Group will closely monitor the market conditions and government measures and react to take advantage of the marketing windows.

EIHL Group will continue to be cautious in seeking investment opportunities to enhance its shareholders' return, diversify its business and property portfolio and strengthen its income base. With EIHL Group's excellent market insights backed by the strong team, EIHL Group strives to be a key property player in Greater China.

Following the acquisition of Expert Pearl, the attributable interest in the Property of EIHL Group will be increased and its property portfolio will be enlarged.



**黃 開 基 測 計 師 行 有 限 公 司**  
**MEMFUS WONG SURVEYORS LIMITED**

Surveyors • Valuers • Auctioneers • Estate Agents • Development Consultants • Property Management • Data Analysis  
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EA Licence (Company) No.: C-005215

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24 January 2011

The Directors  
Emperor Entertainment Hotel Limited  
28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wan Chai  
Hong Kong

Dear Sirs,

### **Instructions, Purpose and Date of Valuation**

In accordance with your instructions for us to value the property interests owned by Emperor Entertainment Hotel Limited (the “Company”) and/or its subsidiaries (together with the Company referred to as the “Group”) in Macau and the People’s Republic of China (the “PRC”), we confirm that in preparing this valuation, we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 24 November 2010.

### **Basis of Valuation**

We have valued individual property at its market value which we would define as intended to mean “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

### **Valuation Assumptions**

Our valuations have been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the properties.

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## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

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We have relied on the information given by the Group and the opinion of its PRC legal advisers, Fujian Xiamen Yinghe Law Office, and its Macau legal advisers, C & C Advogados, regarding the interests of the Group in Properties Nos. 4 and 5 in the PRC and Macau. The status of titles and grant of major approvals and licences, in accordance with the information provided by the Group and the PRC and Macau legal opinions are set out in the notes in the valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Shenzhen Lianhe Jinhao Investment Development Co. Ltd. (深圳市聯合金豪投資發展有限公司 now named “上海璋璽投資發展有限公司”) (“Party A”) had entered into an agreement (“Agreement”) in relation to the development of the Property with Emperor (Shanghai) Co., Ltd. (英皇(上海)有限公司), Supreme Win Investments Limited and Expert Pearl Investments Limited (collectively “Party B”). As advised by the Group, there is a dispute between Party A and Party B over the Agreement on the ground that Party A had failed to settle the outstanding payment and construction costs in accordance with the Agreement. In this regard, Party B commenced legal proceedings in Shanghai against Party A for termination of the Agreement and Party A contested the proceedings and counterclaimed against Party B for damages. According to the judgement handed down on 28 December 2010, the Agreement shall continue to have effect and the counterclaim of Party A for damages was rejected. Party A is required to complete the construction work at the cost of Party A and thereafter will be entitled to 50% of the saleable area of the completed development. According to the Announcement by the Group dated 31 December 2010, Party B will appeal against the judgement and our valuation as at 24 November 2010 has taken into account the impact of the aforesaid judgement in the event that the appeal is dismissed.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

### Method of Valuation

For Properties Nos. 1, 2, 3 & 4 which are owned and occupied by the Group or vacant, we have valued the property interest on an open market basis by Direct Comparison Approach and making reference to comparable sales evidence as available in the relevant market.

For Property No.5 which is held under development by the Group, we have valued the property interest by Direct Comparison Approach and on the basis that this property will be developed and completed in accordance with the Group’s latest development proposals provided to us and we have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.



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## **APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP**

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For Property No.6 which is held as investments by the Group, we have valued the tenanted portions on the basis of capitalization of the net income receivable and making reference to comparable sales evidence as available in the market. For the remaining floors, we have used the Income Capitalization Approach which involves capitalizing the audited annual income of the property to derive the Open Market Value of the same.

### **Source of Information**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and its legal adviser on PRC law and have accepted information therein on such matters as planning approvals, statutory notices, easements, tenure, age of building, particulars of occupancy, floor plans and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuations. We have also been advised by the Group that no material fact has been omitted from information so supplied. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

### **Title Investigation**

We have carried out title search at the Conservatoria do Registo Predial for the properties in Macau. For Property No. 4 of which the assignment of the property has not been registered despite the transaction has been completed, we have relied on the opinion of the Group's Macau legal advisers, C & C Advogados, regarding the title of this property interests in Macau. In respect of Property No.5 which is situated in the PRC, we have been provided with extracts of title documents relating to the property interest. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. In assessing the value of the property in the PRC, we have relied on the advice given by the Group and its PRC legal adviser on PRC law regarding the interest of the Group in this property.

### **Site Inspection**

We have inspected the exterior of the properties. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects.

### **Tax Liability**

For reference purpose and according to the information provided by the management of the Group, the potential tax liability arising from :

- Properties Nos.1 to 4 which are located in Macau and occupied by the Group as well as Property No.6 which is located in Macau and held by the Group for long term investment, will be subject to Macau Complementary Tax of 12% of net profit upon disposal. As advised by the Group, the Group will continue to hold those properties for long term investment. As such, the likelihood of any tax liability being crystallized is remote as the Group has no intention to dispose of the properties at present.

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## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

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- Property No.5 which is located in the PRC, owned by Emperor (Shanghai) Co., Ltd. and held for investment upon completion will be subject to PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount) and PRC Enterprises Income tax of 25% net profit upon disposal. But likelihood for any tax liability being crystallised is remote as Emperor (Shanghai) Co., Ltd. has no intention to dispose of the property at present.

According to our established practice, we have neither verify nor taken into account such tax liability in the course of our valuation.

### Currency

Unless otherwise stated, all money amounts are in Hong Kong dollars. The exchange rates adopted in our valuations are HK\$1.0 = MOP\$1.0 and RMB1.0 = HK\$1.166 which are the rounded prevailing rates as at the date of valuation and there has been no significant fluctuation in exchange rates between that date and the date of this letter.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully  
For and on behalf of  
**MEMFUS WONG SURVEYORS LIMITED**  
**SAT WEI LING**  
*Registered Professional Surveyor (GP)*  
*F.H.K.I.S. M.R.I.C.S. M.C.I.R.E.A*  
*Director (Valuation)*

*Note:* Miss Sat Wei Ling is a Chartered Surveyor and a Member of the China Institute of Real Estate Appraisers and has over 20 years experience in the valuation of properties in Hong Kong and extensive experience in the valuation of properties in Macau and the PRC.

**SUMMARY OF VALUATION****Market Value in  
existing state as at  
24 November 2010****Group I – Properties owned and occupied by the Group in Macau**

1	Flats A, B and C on 1st Floor, Flats A and C on 2nd Floor, Flat C on 3rd Floor, Flats A and C on 4th Floor and Flats A and C on 5th Floor Venus Court Rua de Luis Joao Baptista No.3 Macau	HK\$28,000,000
2.	Flat A on 3rd Floor, Flat B on 5th Floor and Flats A and B on 6th Floor Venus Court Rua de Luis Joao Baptista No.3 Macau	HK\$12,500,000
3.	Flats A, B, C and D on 10th Floor, Flats A, B, C and D on 11th Floor, Flats A, B, C and D on 15th Floor Happy Villa Avenida do Almirante Lacerda No.155 Macau	HK\$41,000,000
4.	Flats A, B, C and D on 23rd Floor, Avenida do Almirante Lacerda No. S/N Macau	HK\$17,000,000
	<b>Sub-total:</b>	<hr/> <b>HK\$98,500,000</b> <hr/>

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**APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP**

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**Market Value in  
existing state as at  
24 November 2010**

**Group II – Property held by the Group under development in the PRC**

- |    |  |                   |
|----|--|-------------------|
| 5. | A parcel of land located at 548 Yu Yuan Jie Dao<br>Jie Fang 11/1 Qiu<br>Huangpu District<br>Shanghai<br>The People's Republic of China | HK\$1,050,000,000 |
|----|--|-------------------|

**Group III – Property held by the Group as investments in Macau**

- |    |  |                   |
|----|--|-------------------|
| 6. | Grand Emperor Hotel<br>Travessa Central Da Praia Grande Nos.11-41<br>Macau | HK\$1,995,000,000 |
|----|--|-------------------|

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**Grand total:** **HK\$3,143,500,000**

## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

### Group I – Properties owned and occupied by the Group in Macau

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
1. Flats A, B and C on 1st Floor, Flats A and C on 2nd Floor, Flat C on 3rd Floor, Flats A and C on 4th Floor and Flats A and C on 5th Floor Venus Court Rua de Luis Joao Baptista No. 3 Macau	<p>The property comprises ten residential units on 1st Floor, 2nd Floor, 3rd Floor, 4th Floor and 5th Floor of a 7-storey composite building with shop units on Ground Floor and residential units on upper floors. The property was completed in 2005.</p> <p>The property has a total gross floor area of 13,473 square feet (1,251.7 square metres) or thereabouts.</p> <p>The property is held under Government Lease in perpetual.</p>	The property is occupied by the Group as staff quarters.	HK\$28,000,000

*Notes:*

- (1) The registered owner of the property is Asian Glory Limitada registered vide Memorial No.131650 G dated 8 May 2006. Asian Glory Limitada is a subsidiary of the Company in which the Group has 60% interest.
- (2) There are no material encumbrances registered against the property.

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**APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP**

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<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
2. Flat A on 3rd Floor, Flat B on 5th Floor and Flats A and B on 6th Floor Venus Court Rua de Luis Joao Baptista No. 3 Macau	<p>The property comprises four residential units (including a duplex) on 3rd Floor, 5th Floor and 6th Floor of a 7-storey composite building with shop units on Ground Floor and residential units on upper floors. The property was completed in 2005.</p> <p>The property has a total gross floor area of 6,045 square feet (561.6 square metres) or thereabouts.</p> <p>The property is held under Government Lease in perpetual.</p>	The property is occupied by the Group as staff quarters.	HK\$12,500,000

*Notes:*

- (1) The registered owner of the property is Asian Glory Limitada registered vide Memorial No.132555 G dated 16 May 2006. Asian Glory Limitada is a subsidiary of the Company in which the Group has 60% interest.
- (2) There are no material encumbrances registered against the property.

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**APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP**

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<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
3. Flats A, B, C and D on 10th Floor, Flats A, B, C and D on 11th Floor, Flats A, B, C and D on 15th Floor Happy Villa Avenida do Almirante Lacerda No. 155 Macau	<p>The property comprises twelve residential units on 10th Floor, 11th Floor and 15th Floor of a 33-storey composite building with shop units on Ground floor and residential units on upper floors. The property was completed in 2007.</p> <p>The property has a total gross floor area of 19,467 square feet (1,808.5 square metres) or thereabouts.</p> <p>The property is held under a Government Lease for a term of 10 years from 14 June 2010.</p>	The property is occupied by the Group as staff quarters.	HK\$41,000,000

*Notes:*

- (1) The registered owner of the property is Asian Glory Limitada, vide Memorial No.171990 G dated 16 May 2008. Asian Glory Limitada is a subsidiary of the Company in which the Group has 60% interest.
- (2) There are no material encumbrances registered against the property.

## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
4. Flats A, B, C and D on 23rd Floor, Avenida do Almirante Lacerda No. S/N Macau	<p>The property comprises four residential units on 23rd Floor of a 36-storey composite building erected on a 3-level basement carport, and with shop units on Ground floor and residential units on upper floors. The property was completed in 2008.</p> <p>The property has a total gross floor area of 6,486 square feet (602.6 square metres) or thereabouts.</p> <p>The property is held under Government Lease in perpetual.</p>	The property is occupied by the Group as staff quarters.	HK\$17,000,000

*Notes:*

- (1) The registered owner of the property is Proudidea Limitada, the developer, vide Memorial No. 118722G dated 17 August 2005.
- (2) We have been provided with a copy of the legal opinion of the title of the property prepared by the Group's Macau legal adviser, which contains, inter alia, the followings:
  - (i) Proudidea Limitada is in the process of applying for sub-division title registration application for the property as at date of the valuation. Sub-division of title registration means the registration of separate units after the disposal of individual unit in the market by the developer.
  - (ii) Asian Glory Limitada (as assignee) entered into an assignment with Proudidea Limitada (as developer) and two independent individuals (as assignors) on 11 February 2010 pursuant to which these two independent individuals agree to assign their rights in the property to Asian Glory Limitada.
  - (iii) Asian Glory Limitada has paid the transaction price in full and handover of the property from Proudidea Limitada to Asian Glory Limitada has been completed.
  - (iv) However, the assignment and the title of the property in the name of Asian Glory Limitada can only be registered after sub-division title registration is completed.
- (3) Asian Glory Limitada is a subsidiary of the Company in which the Group has 60% interest.



## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

### Group II – Property held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
5. A parcel of land located at 548 Yu Yuan Jie Dao Jie Fang 11/1 Qiu Huangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 22,870 square metres (246,173 square feet).</p> <p>The property is planned to be developed into a commercial and entertainment development with a total permitted gross floor area of approximately 70,897 square metres (763,135 square feet). It is scheduled for completion in 2015.</p> <p>The land use right of the development has been granted for 56 years commencing from 9 August 1994 and expiring on 8 September 2050 for composite uses.</p>	<p>The property is currently under development by the Group.</p> <p>Foundation work has been completed.</p>	<p>HK\$1,050,000,000 (Interest attributable to the Group based on 50% of the saleable area of the completed development)</p>

*Notes:*

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership Hu Fang Di Huang Zi (2006) No.007382, the land use rights of the property, comprising a site area of 22,870 square metres (246,173 square feet) is vested in Emperor (Shanghai) Co., Ltd. (英皇(上海)有限公司) for a term of 56 years commencing from 9 August 1994 and expiring on 8 September 2050 for composite uses.
- (2) Pursuant to the Grant Contract of Land Use Rights Hu Tu (1994) No. 69 dated 9 August 1994, the land use rights of the property has been granted to Supreme Win Investments Limited (全勝投資有限公司) which is a wholly-owned subsidiary of the Group with salient details as follows:
  - (i) Site area : 22,870 square metres
  - (ii) Gross floor area : 70,897 square metres
  - (iii) Site coverage : not exceeding 55%
  - (iv) Plot ratio : not exceeding 3.1
  - (v) Uses : composite uses (commercial, entertainment and office)
  - (vi) Land use term : 56 years
  - (vii) Land premium : US\$6,784,843
- (3) Pursuant to the Planning Document for Construction Use of Land Nan Gui Tu Zi (1994) No. 182 dated 30 May 1994, planning aspect on the development condition are listed as follows:
  - (i) Site coverage : not exceeding 55%
  - (ii) Plot ratio : not exceeding 3.1
  - (iii) Uses : composite uses (commercial, entertainment and office)

These development conditions coincide with the aforesaid Grant Contract of Land Use Rights.

## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

- (4) According to the Supplementary Contract Hu Tu (1998) No.132 dated 30 December 1998 entered between Shanghai Housing and Land Bureau and Supreme Win Investments Limited, the land was permitted to be changed into temporary green land. The main conditions were given as follows:
- (i) Supreme Win Investments Limited should complete the green land construction before 29 June 1999.
  - (ii) The green land should be open to the society and Supreme Win Investments Limited should be responsible for the construction cost and the relevant management and maintenance costs.
  - (iii) Re-start of development should be applied 6 months before the commencement of the construction work.
  - (iv) Pursuant to the Group's PRC legal adviser, the construction of the temporary green land has been completed and the conditions have been complied with.
- (5) Pursuant to Business Licence No.310000400103258, Emperor (Shanghai) Co., Ltd. (英皇 (上海) 有限公司) was established with a registered capital of US\$45,000,000 for a valid period from 27 December 1994 to 26 December 2044. Emperor (Shanghai) Co., Ltd. is a wholly-owned subsidiary of the Company.
- (6) As advised by the Group, the total construction costs is approximately RMB1,223,600,000 and the total construction costs incurred and settled by 24 November 2010 was approximately RMB20,000,000.
- (7) We have been provided with a copy of legal opinion in respect of the title of the property dated 24 November 2010 prepared by the Group's PRC legal advisers and a court judgement in respect of a litigation relating to the property dated 28 December 2010, which contains, inter alia, the following :
- (i) Emperor (Shanghai) Co., Ltd. (英皇 (上海) 有限公司) is a limited liability company established in accordance with the laws of the PRC.
  - (ii) Emperor (Shanghai) Co., Ltd. legally owns the land use rights of 56 years commencing from 9 August 1994 of the property for composite use with a site area of 22,870 square metres.
  - (iii) Emperor (Shanghai) Co., Ltd. has the right to lease, mortgage and transfer the land use rights of the property;
  - (iv) Emperor (Shanghai) Co., Ltd. has obtained the relevant approval in respect of the construction of the property.
  - (v) Shenzhen Lianhe Jinhao Investment Development Co. Ltd. (深圳市聯合金豪投資發展有限公司) ("Party A") entered into an agreement ("Agreement") in relation to the development of the property with Emperor (Shanghai) Co., Ltd. ("Party B"). Party A has changed its company name to Shanghai Zhang Xi Investment Development Co., Ltd. (上海璋璽投資發展有限公司).
  - (vi) There is a dispute between Party A and Party B in relation to the Agreement and legal proceedings on this matter has been commenced in 2006 of which Party B seeks for a termination of the Agreement on the ground that Party A fails to settle outstanding payments and construction cost under the Agreement. The judgement has been handed down on 28 December 2010, whereby the court declared the Agreement remains in force.
- (8) Under the Agreement, Party B will not transfer, mortgage and make guarantee on the land use rights of the Property before completion of the development.
- (9) Based on direct comparison method, the capital value of the property as if completed as at 24 November 2010 would be RMB3,510,000,000.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:
- |   |     |
|---|-----|
| Certificate for the Use of State-owned Land                   | Yes |
| Contract for Grant of Land Use Rights                         | Yes |
| Planning Document for Construction Use of Land                | Yes |
| Permit for Commencement of Construction Works (Sub-structure) | Yes |
| Business Licence  | Yes |
- (11) Pursuant to the civil judgement dated 28 December 2010 from the Shanghai No.2 Intermediate People's Court of Shanghai in relation to the aforesaid civil case (the "Judgement"), the Agreement should be enforced and hence Party A is required to complete the construction work at the cost of Party A and thereafter will be entitled to 50% of the saleable area of the completed development. According to the Announcement by the Group dated 31 December 2010, the Group will appeal against the Judgement. In this regard, construction work has to be deferred.
- (12) In the course of our valuation, we have taken into consideration the impact of the Judgement in the event that the appeal is dismissed and on further assumption that the future appeal judgement from the Higher People's Court will be awarded after 2 years.

## APPENDIX IV VALUATION REPORT ON PROPERTIES ON EEH GROUP

### Group III – Property held by the Group as investments in Macau

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
6. Grand Emperor Hotel Travessa Central Da Praia Grande Nos. 11-41 Macau	<p>The property comprises a 22-storey (together with a mezzanine floor and 3-storey basement) casino/hotel development completed in 1998 and was converted into a hotel development in 2006.</p> <p>The property is rates as a 3-star hotel with 291 guestrooms, together with a casino, slot machines, shops, bar, restaurants, sauna, nightclub and car parking spaces. The property has a total gross floor area of approximately 60,835.7 square metres (654,835 square feet).</p> <p>The property is held under Government Lease for a term of 25 years commencing on 30 July 1991.</p>	<p>The property is currently operated as a hotel under the trading name of “Grand Emperor Hotel”.</p> <p>The ground floor, 8th and 10th floors of the property are let under four tenancies for a term of three to four years with the latest expiring on 12 January 2013 at a total monthly rental of HK\$1,397,450, inclusive of rates but exclusive of all other outgoing charges.</p>	HK\$1,995,000,000

*Notes:*

- (1) The registered owner of the Property is Pacifico Base Forte Holding Gestao e Prestacoes, Limitada vide Memorial Nos.93617G dated 28 September 2004.
- (2) As advised by the Group, Pacifico Base Forte Holding Gestao e Prestacoes is a subsidiary of the Company in which the Group has 60% interest.
- (3) The Property is subject to a mortgage in favour of Liu Chong Hing Bank Limited vide Memorial No.58948 C dated 5 May 2005.



黃開基測計師行有限公司  
MEMFUS WONG SURVEYORS LIMITED

Surveyors • Valuers • Auctioneers • Estate Agents • Development Consultants • Property Management • Data Analysis  
測計師 • 估價師 • 拍賣師 • 物業代理 • 地產發展顧問 • 物業管理 • 地產資訊中心

15/F, Kaiseng Commercial Centre, 4-6 Hankow Road, Tsim Sha Tsui, Kowloon

Tel: 2521 0143

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Valuation Department

Tel: 2905 3561

Fax: 2524 2626

EA Licence (Company) No.: C-005215

www.mwsl.com.hk

24 January 2011

The Directors  
Emperor International Holdings Limited  
28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wan Chai  
Hong Kong

Dear Sirs,

### **Instructions, Purpose and Date of Valuation**

In accordance with your instructions for us to value the property interests owned by Emperor International Holdings Limited (the “Company”) and/or its subsidiaries and its associated companies (together with the Company referred to as the “Group”) in Hong Kong, Macau and the People’s Republic of China (the “PRC”), we confirm that in preparing this valuation, we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 24 November 2010.

### **Basis of Valuation**

We have valued individual property at its market value which we would define as intended to mean “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

### **Valuation Assumptions**

Our valuations have been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the properties.

We have relied on the information given by the Group and the opinion of its legal adviser, Fujian Xiamen Yinghe Law Office, regarding the title to the property interests in the and the interests of the Group in the properties in the PRC. The status of titles and grant of major approvals and licences, in accordance with the information provided by the Group as well as the legal opinions are set out in the notices in the valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

### **Method of Valuation**

For properties which are owned and occupied by the Group and held as investments, held for sale and for future development, we have valued the property interest on an open market basis by Direct Comparison Approach and where appropriate on the basis of capitalization of the net income receivable and making reference to comparable sales evidence as available in the relevant market.

In valuing Property Nos. 61, 62, 63 and 68 of Group III, which are held under development by the Group, we have valued each of these property interests on the basis that these properties will be developed and completed in accordance with the Group's latest development proposals provided to us and have adopted the Depreciated Replacement Cost ("DRC") Approach in valuing the property interests. The DRC Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. For the land portion of the properties held under development or the Market Value of properties held for future development, we have made reference to site comparable sales evidence as available in the market, and we also take into account the Standard Price published by the relevant local Government department in respect of the properties. In addition, we have taken into account the expended construction costs and the construction costs that will be expended to complete the development to reflect the quality of the completed development.

For Property No.59 of which resettlement arrangement was still in progress, we have valued the property interest on "as is" basis such that the estimated resettlement cost to be incurred and the time to vacate the site have been allowed in the valuation.

For Property No.60 which is subject to a legal proceeding with the government in relation to the interpretation of the government lease, which has implication on whether substantial amount of land premium in respect of the property is payable to the government, we have therefore assessed the value of the property at cost.

**Source of Information**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted information therein on such matters as planning approvals, statutory notices, easements, tenure, age of building, particulars of occupancy, floor plans and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuations. We have also been advised by the Group that no material fact has been omitted from information so supplied. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

**Title Investigation**

We have carried out title search at the respective District Land Registry for the properties in Hong Kong and at the Conservatoria do Registo Predial for the properties in Macau. In respect of the properties situated in the PRC, we have been provided with extracts of title documents relating to the property interests. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. In assessing the value of the properties in the, we have relied on the advice given by the Group and its legal advisers regarding the interest of the Group in these properties.

**Site Inspection**

We have inspected the exterior of the properties. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects.

**Tax Liability**

According to the information provided by the management of the Group, the potential tax liability arising from:

- Properties Nos.1 to 22, 26 to 33, 35 to 53 and 60 which are located in Hong Kong and either occupied by Group or held as investment or to be held as investment upon completion will be subject to profits tax of 16.5% of net profit upon disposal. But the likelihood of any tax liability being crystallized is remote as the Group has no intention to dispose of the properties at present.
- Properties Nos.23 to 25 and 34 which are located in Macau and either held as investment or occupied by the Group will be subject to Macau Complementary Tax of 12% of net profit upon disposal. But the likelihood of any tax liability being crystallized is remote as the Group has no intention to dispose of the properties at present.
- Properties Nos.55 and 61 to 69 which are located in Hong Kong and held for sale or to be held for sale upon completion will be subject to profits tax of 16.5% of net profit upon disposal. It is expected that the relevant tax will be crystallized in the future as the properties are held for sale.

- Properties Nos.56 to 58 which are located in the PRC, owned by the Group and held for sale or to be held for sale upon completion will be subject to PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount) and PRC Enterprises Income Tax of 25% of net profit upon disposal. It is expected that the relevant tax will be crystallized in the future as the properties are held for sale.
- Properties Nos.54 and 59 which is located in the PRC, owned by the Group and held as investment or to be held as investment upon completion will be subject to PRC Business Tax of 5% of consideration, PRC Land Appreciation Tax (ranging from 30% to 60% of the appreciated amount) and PRC Enterprises Income Tax of 25% of net profit upon disposal. But the likelihood of any tax liability being crystallized is remote as the Group has no intention to dispose of the property at present.

According to our established practice, we have neither verify nor taken into account such tax liability in the course of our valuation.

### **Currency**

Unless otherwise stated, all money amounts are in Hong Kong dollars. The exchange rates adopted in our valuations are HK\$1.0 = MOP\$1.0 and RMB1.0 = HK\$1.166 which are the rounded prevailing rates as at the date of valuation and there has been no significant fluctuation in exchange rates between that date and the date of this letter.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**MEMFUS WONG SURVEYORS LIMITED**  
**SAT WEI LING**  
*Registered Professional Surveyor (GP)*  
*F.H.K.I.S. M.R.I.C.S. M.C.I.R.E.A.*  
*Director (Valuation)*

### *Note:*

Miss Sat Wei Ling is a Chartered Surveyor and a Member of the China Institute of Real Estate Appraisers and has over 20 years experience in the valuation of properties in Hong Kong and extensive experience in the valuation of properties in the PRC.

## SUMMARY OF VALUATION

**Group I – Properties owned and occupied by the Group or held by the Group as investments in Hong Kong, Macau and the PRC**

	<b>Market Value in existing state as at 24 November 2010</b>
1. No.2 Belleview Drive Hong Kong	HK\$324,000,000
2. Shop Nos.7-11 on Ground Floor, The Whole of 1st and 2nd Floors (including the entrance hall on Ground Floor) and the Whole of 3rd, 4th and 5th Floors Wei King Building 275 Chatham Road North Kowloon	HK\$88,000,000
3. Emperor Plaza No.55 Chung On Street Tsuen Wan New Territories	HK\$1,095,000,000
4. Shops A, B on Ground Floor Factory Unit H on 1st Floor Factory Units A, B, C, D, E, F, G and H on 17th Floor Factory Units C, D and G on 18th Floor Vehicle Parking Space Nos.7, 11 and 12 on Ground Floor Hong Kong Industrial Building Nos.444-452 Des Voeux Road West Hong Kong	HK\$108,000,000
5. Shops on Basement 1, Ground Floor to 4th Floor (including Showcases on Ground Floor and 3rd Floor Roof Garden), Basement 2 including Parking Spaces, Loading and Unloading Bays or Areas, Vehicle Lift Leading to Ground Floor, Vehicle Lift Shaft and Lift Machine Room thereat, Commercial Unit Nos.1, 2 and 4 on 6th Floor, 5 on 7th Floor, 1, 2 and 6 and on 8th Floor, 1 and 2 on 9th Floor, 3 and 4 on 11th Floor, 6 and 7 on 12th Floor, 5 on 15th Floor, 5 on 16th Floor, 1, 2, 3 and 5 on 17th Floor, 2, 3 and 7 on 18th Floor, 1, 6 and 7 on 20th Floor, No.1 on 21st Floor, 23rd Floor to 29th Floors (including the Flat Roofs appertaining thereto), Reserved Surface, Common Areas, The Reserved Portion of External Walls and the Reserved Portion of Main Roof Emperor Group Centre 288 Hennessy Road Hong Kong	HK\$1,418,000,000
6. The Ulferts Centre No.4 Kin Fat Lane Tuen Mun New Territories	HK\$128,000,000



	<b>Market Value in existing state as at 24 November 2010</b>
7. Ground Floor and 1st Floor of No.46 Leighton Road and Ground Floor of Nos.44 and 48 Leighton Road Lai Chi Building Hong Kong	HK\$124,000,000
8. Ground Floor and 1st Floor Nos.474 and 476 Lockhart Road, and Shop G on Ground Floor Pun Tak Building Nos.478-484 Lockhart Road and Nos.21-27 Percival Street Hong Kong	HK\$164,000,000
9. Ground Floor and 1st Floor No.523 Lockhart Road Hong Kong	HK\$202,000,000
10. Shops 1, 2, 3 and 5 on Ground Floor the whole of 1st, 2nd and 3rd Floors the External Walls of Ground Floor to 3rd Floor the Flat Roof on 5th Floor and Parapet Walls enclosing the Flat Roof on 5th Floor and Lift No.L-1 “No.8 Russell Street” No.8 Russell Street Hong Kong	HK\$1,490,000,000
11. Ground Floor Mezzanine Floor Flats A, B and C including the flat roofs on 1st Floor Flats A, B and C on 2nd to 5th Floor Roof 54-56 Russell Street Hong Kong	HK\$790,000,000
12. Shops A and B (including the yards) on Ground Floor Office A on 1st to 2nd Floor Office B and the balcony adjacent thereto on 1st to 2nd Floor Tak Fat Building Nos.50-52 Russell Street Hong Kong	HK\$600,000,000
13. Flat A on 4th to 10th Floor (incl. the adjacent flat roof on 4th Floor) Flat B on 4th to 11th Floor (incl. the adjacent flat roofs on 4th Floor and the portion of the Main Roof B) Tak Fat Building Nos.50-52 Russell Street Hong Kong	HK\$49,700,000

	<b>Market Value in existing state as at 24 November 2010</b>
14. Office A on 3rd Floor Tak Fat Building Nos.50-52 Russell Street Hong Kong	HK\$9,200,000
15. Ground Floor and 2nd Floor No.20 Russell Street Hong Kong	HK\$238,000,000
16. Ground Floor Whole of 1st Floor Tenement A on 4th Floor & the corresponding part of The Roof Nos.4-8 Canton Road Kowloon	HK\$1,500,000,000
17. 4/6th shares of Ground Floor Area Marked Green and including Parking Space Nos.L5 and P4 on Ground Floor as Right of Way and for Loading and Unloading Purposes Sandoz Centre 178-182 Texaco Road Tsuen Wan New Territories	HK\$50,000
18. The Emperor (Happy Valley) Hotel 1A Wang Tak Street 4 Po Shin Street Hong Kong	HK\$517,000,000
19. Car Park Nos.1-11, 20 23, 23A, 24 and 24A on Ground Floor Kwong Sang Hong Building, Blocks CD 188 Wan Chai Road Hong Kong	HK\$8,000,000
20. Shops 1, 2, 3 and 4 on Lower Ground Floor Yee Fung Building No.1A Wong Nai Chung Road Hong Kong	HK\$40,600,000
21. Lot No. 95 in Demarcation District 248 Sai Kung New Territories	HK\$40,000
22. Units 1, 2, 3 and 4 on 12th Floor Wing Yip Commercial Building 65-71 Yen Chow Street Kowloon	HK\$2,500,000

	<b>Market Value in existing state as at 24 November 2010</b>
23. Shop B on Ground Floor Avenida do Infante D. Henrique Nos.67-69 and Shop C2 on Ground Floor Rua do Dr. Pedro Jose Lobo No.5 Macau	HK\$86,000,000
24. Unit A & B on 1/F, Unit A & B on 2/F and Unit B on 3/F Avenida do Infante D. Henrique No.65A Macau	HK\$42,500,000
25. Basement, Ground Floor, 1st Floor, 2nd Floor, 3rd Floor and 4th Floor Block A Centro Comercial Hoi Meng Avenida de Almeida Ribeiro No.201/205 Macau	HK\$132,000,000
26. Flats A and C on 12th Floor and Flat B on 17th Floor Ying Fai Court No.1 Ying Fai Terrace Hong Kong	HK\$14,500,000
27. Flat A on 1st Floor Shing On Building Nos.38-46 Shing On Street Hong Kong	HK\$1,600,000
28. No.66 Jardine's Bazaar Hong Kong	HK\$108,000,000
29. Shops A, B and E on Ground Floor Hung Kei Mansion Nos.5-8 Queen Victoria Street & Nos.17-23 Man Yee Lane (formerly known as Chinese Street) Hong Kong	HK\$134,000,000
30. Shops 1 to 6 on Ground Floor 1st Floor and Canopy Adjacent Thereto 2nd Floor Reserved Flat Roof Portion and 1st and 2nd Advertising Walls East Ocean Court 525 Shanghai Street Kowloon	HK\$79,500,000

	<b>Market Value in existing state as at 24 November 2010</b>
31. Ground Floor (including the yard), Mezzanine Floor (including the flat roof) and 1st Floor No.1 Reclamation Street Kowloon	HK\$14,000,000
32. Ground Floor No.5 Reclamation Street Kowloon	HK\$8,500,000
33. Unit C on 6th Floor CNT Tower No.338 Hennessy Road Hong Kong	HK\$8,200,000
34. Avenida do InFante D. Henrique Nos.71-75 and Avenida da Praia Grande Nos.514-540 Macau	HK\$590,000,000
35. Shops A, D2 and E2 on Ground Floor Harilela Mansion No.81 Nathan Road Hong Kong	HK\$210,000,000
36. Shop 3 on Ground Floor Champagne Court No.16 Kimberley Road Kowloon	HK\$43,000,000
37. Emperor International Square No.7 Wang Tai Road Kowloon Bay Kowloon	HK\$681,000,000
38. 3rd Floor and 5th Floor and Roof No.1A Reclamation Street Kowloon	HK\$2,400,000
39. 54-60 Portland Street (except 1st Floor of No. 60 Portland Street) Yau Ma Tei Kowloon	HK\$122,000,000
40. Nos.153, 155 & 157 Castle Peak Road Yuen Long New Territories	HK\$130,000,000

	<b>Market Value in existing state as at 24 November 2010</b>
41. Shop 1, 6, 9, 10, 13 and 14 on Ground Floor and Flat D on 1st Floor Nos.43, 45, 47, 47A, 49 and 49A Hankow Road Kowloon	HK\$123,000,000
42. Flat A on 14th Floor and Flat B on 15th Floor Kin Bong Building No.27B Shu Kuk Street Hong Kong	HK\$4,330,000
43. Nos.10, 12, 14 and 16 Luen Fat Street Fanling New Territories	HK\$41,000,000
44. Shop C on Ground Floor Flats A and B on 1st Floor Mercantile House 186-188 Nathan Road Kowloon	HK\$100,000,000
45. Basement, The Whole of Lower and Upper Ground Floors, and Second Floor and Third Floor Healthy Gardens No.560 King's Road Hong Kong	HK\$1,220,000,000
46. Shop D, Ground Floor Mercantile House 186 Nathan Road Kowloon	HK\$5,000,000
47. Unit 1 on 6th Floor, Block A Unit 5 on 6th Floor, Block C Ko Fai Industrial Building 7 Ko Fai Road Kowloon	HK\$26,500,000
48. Shop G on Ground Floor and The Rear Yard on Ground Floor Kwan Sen Mansion No.19-29 Mut Wah Street Kwun Tong Kowloon	HK\$31,800,000
49. Flat A on Ground Floor 6 Hillwood Road Kowloon	HK\$22,000,000
50. Flat C on 24/F Village Tower No.7 Village Road Hong Kong	HK\$7,900,000

	<b>Market Value in existing state as at 24 November 2010</b>
51. Flat No.12 on 26th Floor Apartment Tower on the Western Side Convention Plaza, No.1 Harbour Road Hong Kong	HK\$9,300,000
52. 8th Floor Lok Kui Industrial Building Nos.6-8 Hung To Road Kowloon	HK\$9,600,000
53. Various properties located in Hong Kong	HK\$178,830,000
54. 9 Shops on G/F and 1/F and 7 ancillary car parking spaces at Basements 1 and 2 of Phase I Riverside Garden Hubin Bei Road Xiamen Fujian Province The PRC	HK\$90,300,000
<b>Sub-total:</b>	<b>HK\$13,172,850,000</b>

**Group II – Properties owned by the Group and held for Sale in Hong Kong and the PRC**

	<b>Market Value in existing state as at 24 November 2010</b>
55. Private Car Parking Space No.129 Motor Cycle Parking Spaces Nos. M1-M6 Bicycle Parking Spaces Nos. B1-B6 in the Garage of JC Castle No.18 Shan Tong Road	HK\$300,000
56. Duplex unit B on 28th Floor & 29th Floor of Block 1 and 7 ancillary car parking spaces at Basements 1 and 2 of Phase I Riverside Garden Hubin Bei Road Xiamen Fujian Province The PRC	HK\$6,600,000
57. Unit 317, 1611, 1704 of Phase II Riverside Garden Hubin Bei Road Xiamen Fujian Province The PRC	HK\$10,600,000
<b>Sub-total:</b>	<b>HK\$17,500,000</b>

**Group III – Properties owned by the Group under development or held for future development in Hong Kong and the PRC**

	<b>Market Value in existing state as at 24 November 2010</b>
58. A parcel of land located at Lot No.09-10 Jin Gu Zhou Economic Development Zone Xinhui District Guangdong Province The PRC	No commercial value
59. A parcel of land located at Yong An Xi Li Chao Yang District Beijing The PRC	HK\$1,003,000,000 (Please see Note 2 under Valuation Certificate of Property No.59)
60. Nos.26-30 Beach Road Hong Kong	HK\$606,000,000
61. Nos.96-106 Java Road Hong Kong	HK\$530,000,000
62. Harbour One 458 Des Voeux Road West Hong Kong	HK\$1,300,000,000
63. Nos.18-36 Shing On Street Hong Kong	HK\$330,000,000
64. Section A of Lot No.590 and Lot No. 885 in Demarcation District No.23 Tai Po New Territories	HK\$1,870,000
65. Section C of Lot No.299, The Remaining Portion of Lot No. 299, Lot Nos.302, 303, 304, Section A of Lot No.305, Section A of Lot No.306, Section A of Lot No.307, Lot No. 308, Sections C, D, E and The Remaining Portion of Lot No. 309, Lot No. 342, Sub-section 1 of Section A of Lot No. 343, Lot Nos. 372, 373, 374, 375, 376, 377, 378, 379, 380, 381 and 382 in Demarcation District 210 Sai Kung New Territories	HK\$38,200,000
66. Lot No.300, The Remaining Portion of Lot No.305, The Remaining Portion of Lot No.306, The Remaining Portion of Lot No.307, Section A and The Remaining Portion of Sub-section 2 of Section A of Lot No.343, Lot Nos. 344, 345, 346 and 347, Sections B, C and The Remaining Portion of Lot No.349 and Sub-sections 1, 2 and The Remaining Portion of Section A of Lot No.353 in Demarcation District 210 Sai Kung New Territories	HK\$17,600,000
67. 2/9th shares of Lot 288RP in DD. 210	HK\$100,000

	<b>Market Value in existing state as at 24 November 2010</b>
68. Nos.396-400 Prince Edward Road West Kowloon	HK\$150,000,000
69. Godown Units A & C including the lavatories on Ground Floor, Godown Units B & D on Ground Floor, Factory Units A and B on 1st, 3rd, 5th, 7th to 15th, 17th to 20th Floor, Factory Units A on 2nd Floor, Factory Units A and B and Portion of Flat Roofs on 4th Floor, Factory Unit B on 6th Floor, Factory Unit A on 16th Floor and Portions A and B of Main Roof Cheung Ka Industrial Building 179-180 Connaught Road West 345-345A Des Voeux Road West Hong Kong	HK\$1,522,000,000
	<b>Sub-total: HK\$5,498,770,000</b>
	<b>Grand-total: HK\$18,689,120,000</b>



**Group I – Properties owned and occupied by the Group or held by the Group as investments in Hong Kong, Macau and the PRC**

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
1.	No.2 Belleview Drive Hong Kong  Rural Building Lot No.889	<p>The property comprises a 4-storey detached house (inclusive of basement carport) erected on a site with a registered site area of 16,110 square feet (1,496.7 square metres) or thereabouts. It was completed in 1974.</p> <p>The property has a gross floor area of 7,379 square feet (685.5 square metres) or thereabouts with a private garden and a swimming pool.</p> <p>Rural Building Lot No.889 is held under a Government Lease for a term of 75 years commencing from 22 June 1970, renewable for a further term of 75 years.</p>	The property is occupied by the Group.	HK\$324,000,000

*Notes:*

- (1) The registered owner of the property is Prestige Gold Investment Limited, via an assignment dated 9 April 1991, registered vide Memorial No.UB4789877. Prestige Gold Investment Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Canadian Eastern Finance Limited dated 14 March 1997 registered vide Memorial No.UB6990028 and a Transfer of Mortgages by Canadian Eastern Finance Limited in favour of Wing Lung Bank Limited “Transferee” dated 22 December 2004 registered vide Memorial No.UB9442935.
- (3) The property falls within an area zoned “Residential (Group C)3” under Shouson Hill & Repulse Bay Outline Zoning Plan No.S/H17/11 dated 6 October 2009.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
<p>2. Shop Nos.7-11 on Ground Floor, The Whole of 1st and 2nd Floors (including the entrance hall on Ground Floor) and the Whole of 3rd, 4th and 5th Floors Wei King Building 275 Chatham Road North Kowloon</p> <p>19/190th shares of and in The Remaining Portion of Kowloon Inland Lot No.1527</p>	<p>The property comprises five contiguous shop units on Ground Floor and the commercial/office space on 1st and 2nd Floors and 45 car parking spaces on 3rd to 5th Floors of Wei King Building, which comprises two blocks of 20-storey residential towers over a 6-storey commercial/car parking podium completed in 1975.</p> <p>The property has a total saleable area of 12,994 square feet (1,207.2 square metres) or thereabouts. The property also comprises flat roof and open area on 1st Floor with a total area of 603 square feet (56.0 square metres) or thereabouts.</p> <p>Kowloon Inland Lot No.1527 is held under a Government Lease for a term of 75 years commencing from 12 March 1923 renewable for a further term of 75 years.</p>	<p>The property is subject to a tenancy for a term of four years expiring on 31 March 2012 at a rental of HK\$410,000 per month, exclusive of rates and management fee.</p>	<p>HK\$88,000,000</p>

*Notes:*

- (1) The registered owner of the property is Golden Pegasus Investment Limited, via an assignment dated 27 March 2006, registered vide Memorial No.06041300170066. Golden Pegasus Investment Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Liu Chong Hing Bank Limited dated 31 July 2006, registered vide Memorial No.06082901750145.
- (3) The Property falls within an area zoned "Residential (Group A)" under Ho Man Tin Outline Zoning Plan S/K7/20 dated 15 May 2009.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
3.	Emperor Plaza No.55 Chung On Street Tsuen Wan New Territories  Lot No.1978 in Demarcation District No.449	<p>The property comprises a 23-storey ginza type development including two basement levels and the mechanical floor on 4th Floor. The property was completed in 1991.</p> <p>The property is used for retail shops, restaurants or entertainment uses. The total gross floor area of the property is 196,150 square feet (18,222.8 square metres) or thereabouts according to the approved building plans.</p> <p>Lot No.1978 in Demarcation District No.449 is held under New Grant No.2907 for a term of 75 years commencing from 1 July 1898 renewable for 24 years and thereafter extended to 30 June 2047.</p>	<p>The property (except for Unit 19 on Ground Floor which is vacant at date of valuation) is subject to various tenancies for terms of one to six years with the latest expiry date on 5 July 2015 at a total rental of about HK\$4,100,000 per month.</p> <p>There are four antennae systems and one ATM booth subject to four monthly licences at a total licence fee of HK\$48,800 per month, exclusive of rates but inclusive of management fee.</p>	HK\$1,095,000,000

*Notes:*

- (1) The registered owner of the property is Pleasure View Investment Limited, via an assignment dated 20 June 1994 registered vide Memorial No.TW965327. Pleasure View Investment Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 20 June 1994 registered vide Memorial No.TW965328.
- (3) The property falls within an area zoned "Residential (Group A)" under Tsuen Wan Outline Zoning Plan No.S/TW/26 dated 2 December 2008.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010																					
4. Shops A, B on Ground Floor Factory Unit H on 1st Floor Factory Units A, B, C, D, E, F, G and H on 17th Floor Factory Units C, D and G on 18th Floor Vehicle Parking Space Nos.7, 11 and 12 on Ground Floor Hong Kong Industrial Building Nos.444-452 Des Voeux Road West Hong Kong 388/3,154th shares of and in Inland Lot No.7871 and The Remaining Portion of Marine Lot Nos.177 and 178	<p>The property comprises two shop units on Ground Floor, twelve workshop units on 1st Floor, 17th Floor and 18th Floor, and three parking spaces on Ground Floor of a 23-storey industrial building with car parking spaces and shops on Ground Floor and workshops on upper floors. The property was completed in 1981.</p> <p>The breakdown of saleable area are listed as follows:</p> <table border="1"> <thead> <tr> <th>Shop A on G/F</th> <th>5,638 sq. ft.</th> <th>(523.8 sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Shop B on G/F</td> <td>8,573 sq.ft.</td> <td>(796.5 sq.m.)</td> </tr> <tr> <td>Unit H on 1/F</td> <td>1,761 sq.ft.</td> <td>(163.6 sq.m.)</td> </tr> <tr> <td>Units A-H on 17/F</td> <td>11,554 sq.ft.</td> <td>(1,073.4 sq.m.)</td> </tr> <tr> <td>Unit C on 18/F</td> <td>1,411 sq.ft.</td> <td>(131.1 sq.m.)</td> </tr> <tr> <td>Unit D on 18/F</td> <td>1,478 sq.ft.</td> <td>(137.3 sq.m.)</td> </tr> <tr> <td>Unit G on 18/F</td> <td>1,410 sq.ft.</td> <td>(131 sq.m.)</td> </tr> </tbody> </table> <p>or thereabouts</p> <p>Inland Lot No.7871 is held under Conditions of Sale No.UB7287 for a term of 75 years commencing from 3 September 1962 renewable for a further term of 75 years. Marine Lot Nos.177 and 178 are held under two Government Leases for a term of 999 years commencing from 25 June 1861.</p>	Shop A on G/F	5,638 sq. ft.	(523.8 sq.m.)	Shop B on G/F	8,573 sq.ft.	(796.5 sq.m.)	Unit H on 1/F	1,761 sq.ft.	(163.6 sq.m.)	Units A-H on 17/F	11,554 sq.ft.	(1,073.4 sq.m.)	Unit C on 18/F	1,411 sq.ft.	(131.1 sq.m.)	Unit D on 18/F	1,478 sq.ft.	(137.3 sq.m.)	Unit G on 18/F	1,410 sq.ft.	(131 sq.m.)	The property is subject to various tenancies for terms of one to four years with the latest expiry date on 31 July 2014 at a total rental of \$342,000 per month, inclusive of rates and management fee.	HK\$108,000,000
Shop A on G/F	5,638 sq. ft.	(523.8 sq.m.)																						
Shop B on G/F	8,573 sq.ft.	(796.5 sq.m.)																						
Unit H on 1/F	1,761 sq.ft.	(163.6 sq.m.)																						
Units A-H on 17/F	11,554 sq.ft.	(1,073.4 sq.m.)																						
Unit C on 18/F	1,411 sq.ft.	(131.1 sq.m.)																						
Unit D on 18/F	1,478 sq.ft.	(137.3 sq.m.)																						
Unit G on 18/F	1,410 sq.ft.	(131 sq.m.)																						

*Notes:*

- (1) The registered owner of the property is Distinct Rich Limited, via 8 assignments. Distinct Rich Limited is a wholly-owned subsidiary of the Company and particulars of the assignments are tabulated as follows:

Units	Date of Assignment	Memorial No.
a. Shop A on Ground Floor	6 March 2006	06033102230199
b. Shop B on Ground Floor	28 February 2006	06031600200069
c. Unit H on 1st Floor	31 July 2007	07082300250045
d. Units A, B, C, D, E, F, G and H on 17th Floor and Car Park 7 on Ground Floor	6 March 2006	06033102230209
e. Unit C on 18th Floor	15 May 2007	07060800180013
f. Unit D on 18th Floor	8 March 2006	06033100280207
g. Unit G on 18th Floor	30 June 2007	07072500210121
h. Vehicle Parking Spaces Nos.11 and 12 on Ground Floor	1 June 2006	06061500260151

- (2) Shop A on Ground Floor and Factory Units A, B, C, D, E, F, G and H on 17th Floor and Vehicle Parking Space No.7 on Ground Floor are subject to a Collateral Mortgage in favour of Liu Chong Hing Bank Limited dated 6 March 2006, registered vide Memorial No.06033102230218.
- (3) Shop B on Ground Floor is subject to a Legal Charge in favour of Fubon Bank (Hong Kong) Limited dated 28 February 2006, registered vide Memorial No.06031600200074.
- (4) The property falls within an area zoned "Residential (Group A)" under Kennedy Town & Mount Davis Outline Zoning Plan No.S/H1/17 dated 26 March 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010	
5.	Shops on Basement 1, Ground Floor to 4th Floor (including Showcases on Ground Floor and 3rd Floor Roof Garden), Basement 2 including Parking Spaces, Loading and Unloading Bays or Areas, Vehicle Lift Leading to Ground Floor, Vehicle Lift Shaft and Lift Machine Room thereat, Commercial Unit Nos.1, 2 and 4 on 6th Floor, Commercial Unit No.5 on 7th Floor, Commercial Unit Nos.1, 2 and 6 on 8th Floor, Commercial Unit Nos.1 and 2 on 9th Floor, Commercial Unit Nos.3 and 4 on 11th Floor, Commercial Unit Nos.6 and 7 on 12th Floor, Commercial Unit No.5 on 15th Floor and 16th Floor, Commercial Unit Nos.1, 2, 3, 4, 5, 6 and 7 on 17th Floor, Commercial Unit Nos.2, 3 and 7 on 18th Floor, Commercial Unit Nos.1, 6 and 7 on 20th Floor, Commercial Unit No.1 on 21st Floor, Commercial Units on 23rd Floor to 29th Floors (including the Flat Roofs appertaining thereto), Reserved Surface, Common Areas, The Reserved Portion of External Walls and the Reserved Portion of Main Roof, Emperor Group Centre 288 Hennessy Road Hong Kong	The property comprises two Basement Floors, Ground to 4th Floors (including Showcases on Ground Floor and Roof Garden on 3rd Floor), various commercial units on 6th to 12th, 15th to 18th, 20th and 21st Floors, the whole floor of 23rd to 29th Floors (including the Flat Roofs appertaining thereto), Reserved Surface, Common Area, the Reserved portion of External Walls and the Reserved Portion of Main Roof of a 30-storey commercial building with car parking spaces and loading bays on Basement 2 and shopping arcades on Basement 1 to 4th Floor. The property was completed in 1994.	Shop portion of the property is subject to various tenancies with the latest expiry date on 30 November 2015 at a total rental of HK\$2,425,080 per month.  Office portion of the property is subject to various tenancies with the latest expiry date on 31 March 2013 at a total rental of HK\$1,745,732.8 per month.  Carpark portion of the property is subject various monthly licences and hourly parking at a total rental of about HK\$110,000 per month.  There are also sign boards which are subject to 3 tenancies with the latest expiry date on 30 November 2015 at a total rental of about HK\$4,000 per month.	HK\$1,418,000,000
	The breakdown of gross floor area are listed as follows:			
	1st B/F, G/F-4/F	81,962 sq.ft. (7,614.46 sq.m.)		
	No.1 on 6/F	2,324 sq.ft. (215.9 sq.m.)		
	No.2 on 6/F	977 sq.ft. (90.8 sq.m.)		
	No.4 on 6/F	2,230 sq.ft. (207.2 sq.m.)		
	No.5 on 7/F	1,431 sq.ft. (132.9 sq.m.)		
	No.1 on 8/F	2,324 sq.ft. (215.9 sq.m.)		
	No.2 on 8/F	977 sq.ft. (90.8 sq.m.)		
	No.6 on 8/F	1,510 sq.ft. (140.3 sq.m.)		
	No.1 on 9/F	2,324 sq.ft. (215.9 sq.m.)		
	No.2 on 9/F	977 sq.ft. (90.8 sq.m.)		
	Nos.3-4 on 11/F	2,274 sq.ft. (211.3 sq.m.)		
	No.6 on 12/F	1,431 sq.ft. (132.9 sq.m.)		
	No.7 on 12/F	1,510 sq.ft. (140.3 sq.m.)		
	No.5 on 15/F	941 sq.ft. (87.4 sq.m.)		
	No.5 on 16/F	941 sq.ft. (87.4 sq.m.)		
	No.1 on 17/F	2,178 sq.ft. (202.3 sq.m.)		
	No.2 on 17/F	989 sq.ft. (91.9 sq.m.)		
	Nos.3, 4, 6 & 7 on 17/F	5,215 sq.ft. (484.5 sq.m.)		
	No.5 on 17/F	941 sq.ft. (87.4 sq.m.)		
	No.2 on 18/F	989 sq.ft. (91.9 sq.m.)		
	No.3 on 18/F	692 sq.ft. (64.3 sq.m.)		
	No.7 on 18/F	1,510 sq.ft. (140.3 sq.m.)		
	No.1 on 20/F	2,178 sq.ft. (202.3 sq.m.)		
	No.6 on 20/F	1,431 sq.ft. (132.9 sq.m.)		
	No.7 on 20/F	1,510 sq.ft. (140.3 sq.m.)		
	No.1 on 21/F	2,178 sq.ft. (202.3 sq.m.)		
	23/F – 29/F	64,939 sq.ft. (6,033 sq.m.)		
	or thereabouts.			
	Inland Lot No.8746 is held under Conditions of Exchange No.12153 for a term commencing from 22 July 1991 to 30 June 2047.			
	13137/18234th shares plus 368/471 of 471/18234th shares plus 75/462 of 462/182345th shares of and in Inland Lot No.8746			

*Notes:*

- (1) The registered owner of Basement to 4th Floors and 23rd to 29th Floors of the property is Very Sound Investments Limited. The registered owner of various commercial units on 6th to 21st Floors of the property is Headwise Investment Limited. Very Sound Investments Limited and Headwise Investment Limited are wholly-owned subsidiaries of the Company.
- (2) Shops on Basement 1, Ground Floor, 1st Floor to 4th Floors are subject to Mortgage or Legal Charge in favour of Wing Hang Bank Limited dated 9 June 1999 and 26 October 2006, registered vide Memorial Nos.UB7801155 and 06112300770025.
- (3) Commercial unit No.1 on 6th Floor, No.2 on 9th Floor, No.3 on 11th Floor, No.7 on 12th Floor and No.1 on 21st Floor are subject to a Mortgage in favour of Liu Chong Hing Bank Limited dated 31 July 2006, registered vide Memorial No.06082901750145.
- (4) Commercial unit No.2 on 8th Floor and No.2007 on 20th Floor are subject to a Mortgage in favour of Chong Hing Bank Limited dated 20 July 2007, registered vide Memorial No.07081700680229.
- (5) Commercial units on 6th to 21st Floors (except the commercial units mentioned in Notes 3 and 4) are subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 17 April 2009, registered vide Memorial No.09051301040048.
- (6) Commercial units on 23rd, 24th, 27th to 29th Floors are subject to a Legal Charge in favour of The Hongkong and Shanghai Banking Corporation Limited dated 27 November 2009, registered vide Memorial No. 09122200360081.
- (7) Commercial units on 25th and 26th Floors are subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 4 August 2006, registered vide Memorial No.06090100990167.
- (8) 3rd Floor Roof Garden is subject to a Order No.C0817/95/HK under S.24(1) of the Buildings Ordinance by the Building Authority dated 23 January 1996, registered vide Memorial No.UB6553074. In the course of our valuation, we have assumed that the above Order has been complied with.
- (9) The property falls within an area zoned "Other Specified Uses (Comprehensive Redevelopment Area)" under Wan Chai Outline Zoning Plan No.S/H5/26 dated 24 September 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
6. The Ulferts Centre No.4 Kin Fat Lane Tuen Mun New Territories  Tuen Mun Town No.102	<p>The property comprises a 14-storey industrial building (including Mezzanine Floor) with car parking spaces on Ground Floor. The building was completed in 1980.</p> <p>The property has a total gross floor area of 180,595 square feet (16,777.7 square metres) or thereabouts and 10 private car parking spaces, 8 lorry parking spaces and 1 container parking space on Ground Floor.</p> <p>Tuen Mun Town No.102 is held under New Grant No.TM2241 for a term of 99 years commencing from 1 July 1898, less the last three days thereof and thereafter extended to 30 June 2047.</p>	<p>Mezzanine Floor to 9th Floor and car parking spaces (excluding Nos.9 and 10) are subject to a tenancy for a term of four years expiring on 24 November 2012 at a rental of HK\$444,800 per month, exclusive of rates and management fee.</p> <p>Ground Floor, 10th Floor, 11th Floor and portion of 12th Floor are subject to various tenancies for terms of two to four years with the latest expiry date on 26 May 2013 at a total rental of HK\$168,626 per month, mostly inclusive of rates and management fee.</p> <p>The remaining portion of the property is vacant.</p>	HK\$128,000,000

*Notes:*

- (1) The registered owner of the property is Golden Pegasus Investment Limited, via two assignments dated 29 June 1977 and 28 March 1994, registered vide Memorial Nos.TM187320 and TM631349 respectively. Golden Pegasus Investment Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Liu Chong Hing Bank Limited dated 31 July 2006, registered vide Memorial No.06082901750145.
- (3) The property falls within an area zoned "Industrial" under Tuen Mun Outline Zoning Plan No.S/TM/27 dated 3 September 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
<p>7. Ground Floor and 1st Floor of No.46 Leighton Road and Ground Floor of Nos.44 and 48 Leighton Road Lai Chi Building Hong Kong</p> <p>2/8th shares of and in Section D of Sub-section 3 of Section A of Inland Lot No.2553 (Ground Floor and 1st Floor, No.46 Leighton Road)</p> <p>1/8th share of and in Section E of Sub-section 3 of Section A of Inland Lot No.2553 (Ground Floor, No.48 Leighton Road)</p> <p>1/8th share of and in The Remaining Portion of Sub-section 3 of Section A of Inland Lot No.2553 (Ground Floor, No.44 Leighton Road)</p>	<p>The property comprises three individual shop units on the Ground Floor and one commercial unit on 1st Floor of a 8-storey commercial/residential tenement building with shop units on Ground Floor, commercial units on 1st Floor and domestic units on upper floors. The building was completed in 1956.</p> <p>The portion on Ground Floor has a total saleable area of 3,148 square feet (292.5 square metres) or thereabouts whilst the portion on the 1st Floor has a saleable area of 1,090 square feet (101.3 square metres) or thereabouts.</p> <p>Inland Lot No.2553 is held under a Government Lease for a term of 75 years commencing from 15 January 1925, renewable for a further term of 75 years.</p>	<p>The property is subject to two tenancies for a term of six years with the latest expiry date on 15 March 2016 at a total rental of HK\$355,000 per month, exclusive of rates and management fee.</p>	<p>HK\$124,000,000</p>

*Notes:*

- (1) The registered owner of the property is Young Health Investments Limited, via two assignments dated 6 November 1989, registered vide Memorial Nos.UB4258399 and UB4258400. Young Health Investments Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 4 August 2006, registered vide Memorial No.06090100990167.
- (3) Ground Floor and 1st Floor of No.46 Leighton Road are subject to an Order No.INVO00349/HK/10/TB, and Ground Floor of No.44 Leighton Road is subject to an Order No.INVO00348/HK/10/TB, both by the Building Authority under S.26A(1) of the Buildings Ordinance (re: Common Part(s) only) dated 25 June 2010, registered vide Memorial Nos.10101500760057 and 10101500760040 respectively. In the course of our valuation, we have assumed that the above Orders have been complied with.
- (4) The property falls within an area zoned "Residential (Group A)" under Wong Nai Chung Outline Zoning Plan No.S/H7/15 dated 30 September 2010.



			Market Value in existing state as at 24 November 2010
Property	Description and tenure	Particulars of occupancy	
8.	Ground Floor and 1st Floor Nos.474 and 476 Lockhart Road, and Shop G on Ground Floor Pun Tak Building Nos.478-484 Lockhart Road and Nos.21-27 Percival Street Hong Kong	The property comprises three shop units and one storeroom on Ground Floor of Nos.474 & 476 Lockhart Road and Pun Tak Building, and two commercial units on 1st Floor of Nos.474 & 476 Lockhart Road, which are two 13-storey and 16-storey commercial/residential composite buildings completed in 1967 and 1964 respectively, each having shop units on Ground Floor and domestic units on upper floors.	The property is subject to six tenancies for terms of two to five years with the latest expiry date on 2 January 2013 at a total rental of HK\$447,300 per month.
	2/13th shares of and in The Remaining Portion of Inland Lot No.7170 (Ground Floor & 1st Floor, No.474 Lockhart Road)	The property has a total saleable area of 3,292 square feet (305.8 square metres) or thereabouts.	
	2/13th shares of and in The Remaining Portion of Inland Lot No.7171 (Ground Floor & 1st Floor, No.476 Lockhart Road)	Inland Lot Nos.7170-7177 are held under eight Government Leases for a common term of 99 years commencing from 15 April 1929, renewable for a further term of 99 years.	
	1/134th share of and in The Remaining Portions of Inland Lot Nos.7122, 7173, 7174, 7175, 7176 and 7177 (Shop G on Ground Floor, Pun Tak Building)		

*Notes:*

- (1) The registered owner of the property is Ying Wong Property Limited, via four assignments dated 20 September 1990, 15 January 2008 and 31 January 2008, registered vide Memorial Nos.UB4562381, UB4562382, 08021301030074 and 08022801480113. Ying Wong Property Limited is a wholly-owned subsidiary of the Company.
- (2) Ground Floor of Nos.474 and 476 Lockhart Road and Shop G on Ground Floor of Pun Tak Building are subject to a Mortgage in favour of Liu Chong Hing Bank Limited dated 17 October 2001, registered vide Memorial No.UB8527940.
- (3) Ground Floor of Nos.474 and 476 Lockhart Road are subject to an Order No.C/TB/000610/10/HK by the Building Authority under S.24(1) of the Buildings Ordinance (re: Common Part(s) only) dated 30 April 2010, registered vide Memorial No.10052000250134. In the course of our valuation, we have assumed that the above Order has been complied with.
- (4) The property falls within an area zoned "Commercial" under Wan Chai Outline Zoning Plan No.S/H5/26 dated 24 September 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
9. Ground Floor and 1st Floor No.523 Lockhart Road Hong Kong  2/6th shares of and in The Remaining Portion of Sub-Section 8 of Section E of Marine Lot No.52 and the Extension thereto	<p>The property comprises one shop on Ground Floor and one domestic unit on 1st Floor of a 6-storey tenement building. The building was completed in 1955.</p> <p>The ground floor shop has a saleable area of 515 square feet (47.8 square metres) plus a yard of 222 square feet (20.6 square metres) or thereabouts. The domestic unit on 1st Floor has a saleable area of 545 square feet (50.6 square metres) or thereabouts.</p> <p>Marine Lot No.52 is held under a Government Lease for a term of 999 years commencing from 25 June 1843.</p>	<p>Ground Floor of the property is subject to a tenancy for a term of three years expiring on 31 July 2013 at a rental of HK\$480,000 per month for the first two years and HK\$570,000 per month for the third year, exclusive of rates and management fees.</p> <p>1st Floor of the property is subject to a tenancy for a term of three years expiring on 31 July 2013 at a rental of HK\$35,000 per month, inclusive of rates.</p>	HK\$202,000,000

*Notes:*

- (1) The registered owner of the property is World Fortune Corporation Limited, via an assignment dated 4 December 2000, registered vide Memorial No.UB8270103. World Fortune Corporation Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 4 August 2006, registered vide Memorial No.06090100990167.
- (3) The property is subject to Order Nos. DR00114/HK/10 and D00132/HK/10 by the Building Authority under S.28(3) and S.26 of the Buildings Ordinance respectively both dated 19 March 2010, registered vide Memorial Nos.10042700260079 and 1004270026117 respectively. In the course of our valuation, we have assumed that the above Orders have been complied with.
- (4) The property falls within an area zoned "Commercial" under Causeway Bay Outline Zoning Plan No.S/H6/15 dated 17 September 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
10.	Shops 1, 2, 3 and 5 on Ground Floor the whole of 1st, 2nd and 3rd Floors the External Walls of Ground Floor to 3rd Floor the Flat Roof on 5th Floor and Parapet Walls enclosing the Flat Roof on 5th Floor and Lift No.L-1 "No.8 Russell Street" No.8 Russell Street Hong Kong  4,900/10,010th shares of and in The Remaining Portion of Sub-Section 1 of Sections C, D and E and The Remaining Portion of Sections C, D and E of Inland Lot No.746	"8 Russell Street" is a 27-storey (including a refuge floor on 25th Floor) commercial/service apartment building with shops and commercial space on Ground Floor to 3rd Floor, a mechanical floor on 5th Floor and service apartments on upper floors. The property was completed in 2001.  The property comprises four shop units on Ground Floor and the whole of 1st, 2nd and 3rd Floors with a total saleable area of about 18,837 square feet (1,750.0 square metres) plus a flat roof on 1st Floor of about 158 square feet (14.7 square metres). The property also comprises a flat roof on 5th Floor with an area of about 1,890 square feet (175.6 square metres) as well as the majority of the front elevation and portion of the rear elevation of the external walls from Ground Floor to the parapet walls on 5th Floor.  Inland Lot No.746 is held under a Government Lease for a term of 999 years commencing on 25 June 1861.	The property is subject to various tenancies for terms of two or three years with the latest expiry date on 31 August 2013 at a total monthly rent of HK\$3,850,090. The rent is exclusive of rates and management fee except for the 3rd Floor which is inclusive of rates and management fee.	HK\$1,490,000,000

*Notes:*

- (1) The registered owner of the property is Planwing Limited, via an assignment dated 28 July 2004, registered vide Memorial No.UB9302492. Planwing Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited dated 28 July 2004, registered vide Memorial No.UB9302494.
- (3) The property falls within the "Commercial" zone under Wan Chai Outline Zoning Plan No.S/H5/26 dated 24 September 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
11.	<p>Ground Floor Mezzanine Floor Flats A, B and C including the flat roofs on 1st Floor Flats A, B and C on 2nd to 5th Floor Roof 54-56 Russell Street Hong Kong</p> <p>All shares of and in The Remaining Portion of Inland Lot Nos.3590 and 3591</p>	<p>The property comprises shop units on Ground Floor and Mezzanine Floor, residential units on 1st Floor to 5th Floor and the roof of a 7-storey commercial/residential composite building. The property was completed in 1972.</p> <p>The property has a total saleable area of about 8,686 square feet (806.9 square metres) plus a yard of about 150 square feet (13.9 square metres), flat roofs of about 732 square feet (68.0 square metres), a covered roof of about 174 square feet (16.2 square metres) and an open roof of about 896 square feet (83.2 square metres).</p> <p>Inland Lot Nos.3590 and 3591 are held under two Government Leases for a common term of 999 years commencing on 25 June 1862.</p>	<p>Ground Floor, Mezzanine Floor and the exterior parts of Flats A and B on 2nd to 5th Floor are subject to a tenancy for a term of three years from 23 October 2008 to 22 October 2011 at a monthly rent of HK\$2,950,000 from 23 October 2010 to 22 October 2011 exclusive of rates and management fee, with a rent free period from 1 November 2010 to 31 December 2010.</p> <p>All Flats C on 1st Floor to 5th Floor are vacant.</p>	HK\$790,000,000

*Notes:*

- (1) The registered owner of the property is tabulated as follows:

<b>Property Interest</b>	<b>Registered owner</b>	<b>Date of assignment</b>	<b>Memorial No.</b>
Ground Floor No.54 Russell Street	Richorse Limited	11 April 2007	07050300200071
Ground Floor No.56 Russell Street	Richorse Limited	29 April 2005	05052100220154
Mezzanine Floor	Richorse Limited	29 April 2005	05052100220154
Flat A on 1st Floor incl. the flat roof	Richorse Limited	2 March 2010	10031000340096
Flat B on 1st Floor incl. the flat roof	Richorse Limited	2 March 2010	10031000340111
Flat C on 1st Floor incl. the flat roof	Richorse Limited	2 March 2010	10031000340138
Flat A on 2nd Floor	Aim Profit Holdings Limited	25 May 2007	07061200260060
Flat B on 2nd Floor	Aim Profit Holdings Limited	2 April 2007	07042500220010
Flat C on 2nd Floor	Aim Profit Holdings Limited	2 April 2007	07042500220027
Flat A on 3rd Floor	Aim Profit Holdings Limited	26 July 2007	07081400300116
Flat B on 3rd Floor	Aim Profit Holdings Limited	8 October 2007	07110100240067
Flat C on 3rd Floor	Aim Profit Holdings Limited	2 April 2007	07042500220030
Flat A on 4th Floor	Wesly Limited	9 June 2005	05062900230063
Flat B on 4th Floor	Hoi Tin Marine Products Limited	18 May 2006	06060200240058
Flat C on 4th Floor	Hoi Tin Marine Products Limited	20 April 2006	06042900300097
Flat A on 5th Floor	Aim Profit Holdings Limited	14 December 2007	08010800350110
Flat B on 5th Floor	Aim Profit Holdings Limited	30 July 2007	07081500290052
Flat C on 5th Floor	Hoi Tin Marine Products Limited	9 June 2006	06063000200192
Roof	Hoi Tin Marine Products Limited	9 June 2006	06063000200192

- (2) Richorse Limited, Aim Profit Holdings Limited, Wesly Limited and Hoi Tin Marine Products Limited are wholly-owned subsidiaries of the Company.
- (3) Ground Floor of No.54 Russell Street is subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 11 April 2007, registered vide Memorial No.07050300200086.
- (4) Ground Floor of No.56 Russell Street and Mezzanine Floor of Nos.54 & 56 Russell Street are subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 28 February 2007, registered vide Memorial No.07031400250056.
- (5) Ground Floor of No.54 Russell Street is subject to a Notice No.WCBZ/S100553/01/HK-N01S by the Building Authority under S.24C(1) of the Buildings Ordinance dated 21 July 2006, registered vide Memorial No.07072300540141.
- (6) Ground Floor of No.56 Russell Street is subject to a Notice No.WCBZ/S100554/01/HK-N01S by the Building Authority under S.24C(1) of the Buildings Ordinance dated 21 July 2006, registered vide Memorial No.07072300540136.
- (7) In the course of this valuation, it is assumed that the above notices issued under the Buildings Ordinance have been complied with.
- (8) The property falls within the "Commercial" zone under the Wan Chai OZP No.S/H5/26 dated 24 September 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
12. Shops A and B (including the yards) on Ground Floor Office A on 1st to 2nd Floor Office B and the balcony adjacent thereto on 1st to 2nd Floor Tak Fat Building Nos.50-52 Russell Street Hong Kong  116/204th shares of and in The Remaining Portion of Inland Lot Nos.3592 and 3593.	The property comprises two shop units on Ground Floor and two office units on 1st Floor and two office units on 2nd Floor of a 12-storey commercial/residential building with shop units on Ground Floor, office units on 1st to 3rd Floor and residential units on 4th to 11th Floor. The property was completed in 1983.  The property has a total saleable area of about 4,044 square feet (375.7 square metres) plus yard of about 406 square feet (37.7 square metres).  Inland Lot Nos.3592 and 3593 are held under two Government Leases for a common term of 999 years commencing on 25 June 1862.	The property fully let under various tenancies for a term of one year to three years or on monthly basis with the latest expiry date on 22 October 2011 at a total monthly rent of HK\$1,528,500.	HK\$600,000,000

*Notes:*

- (1) The registered owner of the property is tabulated as follows:

Property	Registered owner	Date of assignment	Memorial No.
Shop A on Ground Floor incl. the yard	Richorse Limited	27 June 2007	07072601520067
Shop B on Ground Floor incl. the yard	Richorse Limited	31 August 2007	07092503080054
Office A on 1/F	Richorse Limited	27 June 2007	07072601520067
Office B on 1/F	Richorse Limited	31 August 2007	07092503080109
Office A on 2/F	Richorse Limited	27 June 2007	07072601520067
Office B on 2/F	Cape Point Limited	20 May 2010	10061502690126

- (2) Richorse Limited and Cape Point Limited are wholly-owned subsidiaries of the Company.
- (3) Shop A on Ground Floor and Office A on 1st to 2nd Floor are subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 27 June 2007, registered vide Memorial No.07072601520077.
- (4) Shop B on Ground Floor is subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 31 August 2007, registered vide Memorial No.07092503080065.
- (5) Office B on 1st Floor is subject to a Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 31 August 2007, registered vide Memorial No.07092503080120.
- (6) Shop B on Ground Floor is subject to a Notice No.WNZ/U27-56/0001/07 by the Building Authority under S.24C(1) of the Buildings Ordinance dated 29 December 2008, registered vide Memorial No.09112000460025. In the course of this valuation, it is assumed that this notice issued under the Buildings Ordinance has been complied with.
- (7) The property falls within the "Commercial" zone under the Wan Chai OZP No.S/H5/26 dated 24 September 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
13.	Flat A on 4th to 10th Floor (incl. the adjacent flat roofs on 4th Floor) Flat B on 4th to 11th Floor (incl. the adjacent flat roofs on 4th Floor and the portion of the Main Roof B) Tak Fat Building Nos.50-52 Russell Street Hong Kong  66/204th shares of and in The Remaining Portion of Inland Lot Nos.3592 and 3593.	The property comprises fifteen residential units on the 4th to 11th Floor and a portion of the Main Roof of a 12-storey commercial/residential building with shop units on Ground Floor, office units on 1st to 3rd Floor and residential units on 4th to 11th Floor. The property was completed in 1983.  The property has a total saleable area of about 5,209 square feet (483.9 square metres) plus flat roofs of about 716 square feet (66.5 square metres) and roof of about 284 square feet (26.4 square metres).  Inland Lot Nos.3592 and 3593 are held under two Government Leases for a common term of 999 years commencing on 25 June 1862.	The property is subject to various tenancies for terms of one or two years with the latest expiry date on 31 May 2012 at a total monthly rent of HK\$128,730 inclusive of rates and management fee.	HK\$49,700,000

*Notes:*

- (1) The registered owner of the property is tabulated as follows:

<b>Property</b>	<b>Registered owner</b>	<b>Date of assignment</b>	<b>Memorial No.</b>
Flat A on 4/F incl. the flat roofs	Cape Point Limited	4 December 2009	09123102330215
Flat B on 4/F incl. the flat roofs	Cape Point Limited	24 May 2010	10061702480094
Flat A on 5/F	Diamond King Limited	24 October 2008	08111301450011
Flat B on 5/F	Hoi Tin Marine Products Limited	24 October 2008	08112001810025
Flat A on 6/F	Diamond King Limited	24 October 2008	08111301450025
Flat B on 6/F	Max Ocean Investment Limited	24 October 2008	08112001810049
Flat A on 7/F	Diamond King Limited	24 October 2008	08111301450030
Flat B on 7/F	Happy Rain Limited	24 October 2008	08112001810061
Flat A on 8/F	Cape Point Limited	4 December 2009	09123102330206
Flat B on 8/F	Blooming World Investment Limited	24 October 2008	08112001810088
Flat A on 9/F	Cape Point Limited	24 May 2010	10061702480104
Flat B on 9/F	Diamond King Limited	24 October 2008	08111301450045
Flat A on 10/F	Cape Point Limited	3 June 2010	10062902560082
Flat B on 10/F	Diamond King Limited	24 October 2008	08111301450059
Flat B on 11/F incl. the Main Roof B	Diamond King Limited	24 October 2008	08111102030012

- (2) Cape Point Limited, Diamond King Limited, Hoi Tin Marine Products Limited, Max Ocean Investment Limited, Happy Rain Limited and Blooming World Investment Limited are wholly-owned subsidiaries of the Company.
- (3) There is no material encumbrances registered against the property.
- (4) The property falls within the "Commercial" zone under the Wan Chai OZP No.S/H5/26 dated 24 September 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
14.	Office A on 3rd Floor Tak Fat Building Nos.50-52 Russell Street Hong Kong  8/204th shares of and in The Remaining Portion of Inland Lot Nos.3592 and 3593.	The property comprises an office unit on 3rd Floor of a 12-storey commercial/residential building with shop units on Ground Floor, office units on 1st to 3rd Floor and residential units on 4th to 11th Floor. The property was completed in 1983.  The property has a saleable area of about 681 square feet (63.3 square metres).  Inland Lot Nos.3592 and 3593 are held under two Government Leases for a common term of 999 years commencing on 25 June 1862.	The property is subject to a tenancy for a term of one year and nine months from 1 February 2010 to 1 November 2012 at a monthly rent of HK\$14,000 exclusive of rates and management fee.	HK\$9,200,000

*Notes:*

- (1) The registered owner of the property is Richorse Limited, via an assignment dated 4 March 2008, registered vide Memorial No.08040202320156. Richorse Limited is a wholly-owned subsidiary of the Company.
- (2) There is no material encumbrances registered against the property.
- (3) The property falls within the "Commercial" zone under the Wan Chai OZP No.S/H5/26 dated 24 September 2010.



Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
15. Ground Floor and 2nd Floor No.20 Russell Street Hong Kong  2/7th shares of and in The Remaining Portion of Section B of Inland Lot No.746	<p>The property comprises a shop unit on Ground Floor and a residential unit on 2nd Floor of a 7-storey commercial/residential building with shop units on Ground Floor and residential units on upper floors. The property was completed in 1960.</p> <p>The property has a saleable area of about 1,142 square feet (106.1 square metres) plus yard of about 305 square feet (28.3 square metres).</p> <p>Inland Lot No.746 is held under a Government Lease for a term of 999 years commencing on 25 June 1861.</p>	<p>Ground Floor is subject to a tenancy for a term of three years from 2 November 2009 to 1 November 2012 at a monthly rent of HK\$583,350 exclusive of rates and management fee, with a rent free period from 2 November 2010 to 1 December 2010 and an option to renew for a further term of 2 years.</p> <p>2nd Floor is subject to a tenancy for a term of two years from 20 August 2010 to 19 August 2012 at a monthly rent of HK\$25,000 exclusive of rates and management fee.</p>	HK\$238,000,000

*Notes:*

- (1) The registered owner of the property is Joyful Star Corporation Limited, via two assignments dated 8 January 2008 and 31 May 2010, registered vide Memorial Nos.08020603690721 and 10061500320124 respectively. Joyful Star Corporation Limited is a wholly-owned subsidiary of the Company.
- (2) Ground Floor of the property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 8 January 2008, registered vide Memorial No.08020603690735.
- (3) The property falls within the "Commercial" zone under the Wan Chai Outline Zoning Plan No.S/H5/26 dated 24 September 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
16. Ground Floor Whole of 1st Floor Tenement A on 4th Floor & the corresponding part of The Roof Nos.4-8 Canton Road Kowloon  7/15th shares of and in Kowloon Inland Lot No.9547	<p>The property comprises three shop units on Ground Floor, an office unit on 1st Floor, a residential unit on 4th Floor and a portion of The Roof of a 5-storey commercial/residential building with shop units on Ground Floor, office unit on 1st Floor and residential units on floors above. The property was completed in 1969.</p> <p>The property has a total saleable area of about 4,180 square feet (388.3 square metres) plus roof of about 360 square feet (33.4 square metres).</p> <p>Kowloon Inland Lot No.9547 is held under a Government Lease for a term of 150 years commencing on 25 June 1888.</p>	The property is fully let under various tenancies for terms of two to three years with the latest expiry date on 15 June 2013 at a total monthly rent of HK\$2,495,400.	HK\$1,500,000,000

*Notes:*

- (1) The registered owner of the property is Gold Pleasure Investment Limited, via four assignments dated 7 September 2007, 5 February 2010, 30 March 2010 and 31 August 2010, registered vide Memorial Nos.07100500920064, 10022300330066, 10042200260047 and 10091700250112 respectively. Gold Pleasure Investment Limited is a wholly-owned subsidiary of the Company.
- (2) Ground Floor of No.4 Canton Road is subject to a Mortgage in favour of Hang Seng Bank Limited dated 2 November 2010, registered vide Memorial No.10113001250078.
- (3) Ground Floor of Nos.6-8 Canton Road is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 30 March 2010, registered vide Memorial No.10042200260051.
- (4) 1st Floor of Nos.6-8 Canton Road is subject to a Mortgage in favour of Hang Seng Bank Limited dated 31 August 2010, registered vide Memorial No.10091700250129.
- (5) Ground Floor of No.4 Canton Road is subject to an Order No.C/TF/001130/08/K by the Building Authority under S.24(1) of the Buildings Ordinance dated 6 March 2008, registered vide Memorial No.08040900530039. In the course of this valuation, it is assumed that this order has been complied with.
- (6) The property falls within the "Commercial (6)" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
17. 4/6th shares of Ground Floor Area Marked Green and including Parking Space Nos.L5 and P4 on Ground Floor as Right of Way and for Loading and Unloading Purposes Sandoz Centre 178-182 Texaco Road Tsuen Wan New Territories  4/6th shares of and in 55/26,000th shares of and in Tsuen Wan Town Lot No.265	<p>The property comprises the right (in common only with the owner or owners for the time being of the 11th and 12th Floors of Sandoz Centre) to use all that Ground Floor area of the building including parking spaces respectively shown coloured Green and numbered L5 and P4 on Ground Floor as right of way and for loading and unloading purposes.</p> <p>Sandoz Centre is a 16-storey industrial building completed in 1983. The saleable area of the space marked green is about 1,054 square feet (97.9 square metres).</p> <p>Tsuen Wan Town Lot No.265 is held under New Grant No.5958 for a term of 99 years from 1 July 1898, less the last 3 days thereof and thereafter extended until 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance.</p>	The property is vacant.	HK\$50,000

*Notes:*

- (1) The registered owner of the property is Actmore Estate Limited via an assignment dated 26 October 1987, registered vide Memorial No.TW479445. Actmore Estate Limited is a wholly-owned subsidiary of the Company.
- (2) There is no material encumbrances registered against the property.
- (3) The property falls within "Industrial" zone under the Tsuen Wan Outline Zoning Plan No.S/TW/26 dated 12 December 2008.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
18.	The Emperor (Happy Valley) Hotel 1A Wang Tak Street 4 Po Shin Street Hong Kong	The property comprises a roughly triangular shape site with a registered site area of 5,816 square feet (540.3 square metres) or thereabouts.	The hotel portion is operated by the owner.  The karaoke is subject to a tenancy for a term of one year from 1 January 2010 and expiring on 31 December 2010 at a monthly rent of HK\$600,000.	HK\$517,000,000
	Section A and The Remaining Portion of Inland Lot No.2840	Currently standing on the site is a 26-storey (including two basement levels) hotel development with 150 guest rooms, together with restaurants, bars, coffee shop, karaoke and recreational and car parking facilities. The hotel was completed in 1983 and was substantially renovated in 1996.  The gross floor area of the hotel development is 84,119 square feet (7,814.8 square metres) or thereabouts.  Inland Lot No.2840 is held under a Government Lease for a term of 75 years commencing on 11 July 1921, renewed for 75 years and further extended until 30 June 2047.		

*Notes:*

- (1) The registered owner of the property is Emperor Hotel (HK) Limited formerly known as Mark Pleasure Investment Limited, via an assignment dated 6 April 1994, registered vide Memorial No.UB5995620. Emperor Hotel (HK) Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a debenture to secure all general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited dated 6 April 1994, registered vide Memorial No.UB5995621.
- (3) The property falls within the "Residential (Group B)" zone under the Wong Nai Chung Outline Zoning Plan No.S/H7/14 dated January 2008.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
19.	Car Park Nos.1-11, 20 23, 23A, 24 and 24A on Ground Floor Kwong Sang Hong Building Blocks CD 188 Wan Chai Road Hong Kong  80/160th shares of and in 160/3,620th shares of and in The Remaining Portion of Marine Lot No.113 and The Remaining Portion of Marine Lot No.114	The property comprises twelve single and two twin car parking spaces on Ground Floor of Kwong Sang Hong Building Blocks CD. The building comprises two residential blocks built over a 5-storey (including Basement) commercial and car parking podium completed in 1980.  Marine Lot Nos.113 and 114 are held under two Government Leases for a common term of 999 years commencing on 11 October 1859.	Nine single and two twin car parking spaces are subject to various monthly licences at a total licence fee of HK\$30,300 per month inclusive of rates and management fee.  Two single car parking spaces are occupied by the owner.  One single car parking space is vacant.	HK\$8,000,000

*Notes:*

- (1) The registered owner of the property is Active Pace Investment Limited, via two assignments dated 2 April 1993 and 20 November 2003, registered vide Memorial Nos.UB5625370 and UB9082581 respectively. Active Pace Investment Limited is a wholly-owned subsidiary of the Company.
- (2) There is no material encumbrances registered against the property.
- (3) The property falls within the "Other Specified Uses (Mixed Use)" zone under the Wan Chai Outline Zoning Plan No.S/H5/26 dated 24 September 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
20.	Shops 1, 2, 3 and 4 on Lower Ground Floor Yee Fung Building No.1A Wong Nai Chung Road Hong Kong  8/123rd shares of and in Inland Lot No.8767	<p>The property comprises four shop units on Lower Ground Floor of a 12-storey commercial/residential building with shop units on Lower Ground Floor and Ground Floor and residential units on upper floors. The property was completed in 1972.</p> <p>The property has a total saleable area of about 2,610 square feet (242.5 square metres).</p> <p>Inland Lot No 8767 is held under a Government Lease for a term from 7 February 1989 to 30 June 2047.</p>	The property is subject to three tenancies for terms of two to six years with the latest expiry date on 30 September 2012 at a total monthly rent of HK\$121,350 inclusive of rates and management fee.	HK\$40,600,000

*Notes:*

- (1) The registered owner of the property is Cherish Will Limited, via two assignments dated 23 September 2005 and 30 September 2005, registered vide Memorial Nos.05102201640064 and 05102602130331 respectively. Cherish Will Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Hang Seng Bank Limited dated 16 January 2006, registered vide Memorial No.06021401150350.
- (3) The property falls within the "Residential (Group A)" zone under the Wong Nai Chung Outline Zoning Plan No.S/H7/15 dated 30 September 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
21.	Lot No. 95 in Demarcation District 248 Sai Kung New Territories	<p data-bbox="528 363 831 519">Lot No.95 in Demarcation District 248 comprises a piece of agricultural land with a registered site area of about 871 square feet (80.9 square metres).</p> <p data-bbox="528 559 831 678">The property is situated on the slope at the foothill of Tai Nga Wu and at the northern side of Tseung Kwan O Village.</p> <p data-bbox="528 719 831 934">Lot No.95 in Demarcation District 248 is held under Block Government Lease of Demarcation District 248 for a term which has been extended until 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance.</p>	The property is vacant.	HK\$40,000

*Notes:*

- (1) The registered owner of the property is Luen Fat Shing Company Limited, via an assignment dated 18 October 1978, registered vide Memorial No.SK92449. Luen Fat Shing Company Limited is a wholly-owned subsidiary of the Company.
- (2) There is no material encumbrances registered against the property.
- (3) The property falls within the "Government, Institution or Community" zone under the Tseung Kwan O Outline Zoning Plan No.S/TKO/18 dated 7 May 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
22.	Units 1, 2, 3 and 4 on 12th Floor Wing Yip Commercial Building 65-71 Yen Chow Street Kowloon  8/196th shares of and in The Remaining Portion of New Kowloon Inland Lot No.1440 and The Remaining Portion of New Kowloon Inland Lot No.1982	The property comprises four office units on 12th Floor of a 13-storey office building completed in 1982.  The property has a total saleable area of about 799 square feet (74.2 square metres).  New Kowloon Inland Lot Nos.1440 and 1982 are held under two Government Leases for a common term which has been extended until 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance.	The property is subject to various tenancies for terms of one to four years with the latest expiry date on 25 May 2011 at a total monthly rent of HK\$14,500. The rent for Units 1, 2 and 4 are inclusive of rates and management fee while the rent for Unit 3 is exclusive of rates and management fee.	HK\$2,500,000

*Notes:*

- (1) The registered owner of the property is Jade Palace Properties Limited, via an assignment dated 26 October 1987, registered vide Memorial No.UB3550648 and re-registered vide Memorial No.UB4736183. Jade Palace Properties Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Liu Chong Hing Bank Limited dated 17 October 2001, registered vide Memorial No.UB8527940.
- (3) The property falls within the "Residential (Group A) 7" zone under the Cheung Sha Wan Outline Zoning Plan No.S/K5/32 dated 30 September 2010.



	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
23.	Shop B on Ground Floor Avenida do Infante D. Henrique Nos.67-69 and Shop C2 on Ground Floor Rua do Dr. Pedro Jose Lobo No.5 Macau	<p>The property comprises two shop units on Ground Floor of two 4-storey composite buildings with shop units on Ground Floor and residential units on upper floors. “Avenida do Infante D. Henrique Nos.67-69” was completed in 1963 whilst “Rua do Dr. Pedro Jose Lobo No.5” was completed in 1971.</p> <p>The property has a total registered saleable area of 1,167 square feet (108.4 square metres) or thereabouts.</p> <p>The property is held under Government Lease for a term of 10 years from 21 June 2005.</p>	The property is subject to two tenancies for a term of two and a quarter years expiring on 30 June 2011 at a total rental of HK\$269,000 per month.	HK\$86,000,000

*Notes:*

- (1) The registered owner of the property is I Soi Limitada registered vide Memorial Nos.121953 G and 121954 G dated 12 October 2005. I Soi Limitada is a wholly-owned subsidiary of the Company.
- (2) The property is subjected to a Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited, registered vide Memorial Nos.64606 C and 64607 C dated 12 October 2005.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
24.	Unit A & B on 1/F, Unit A & B on 2/F and Unit B on 3/F Avenida do Infante D. Henrique No.65A Macau	<p>The property comprises three residential units on 1st Floor, 2nd Floor and 3rd Floor of a 4-storey composite building with shop units on Ground Floor and residential units on upper floors. The property was completed in 1963.</p> <p>The property has a total registered saleable area of 5,515 square feet (512.4 square metres) or thereabouts.</p> <p>The property is held under Government Lease for a term of 10 years from 21 June 2005.</p>	The property is subject to five tenancies with the latest expiry date on 4 October 2011 at a total rental of HK\$13,000 per month.	HK\$42,500,000

*Notes:*

- (1) The registered owner of the property is I Soi Limitada registered vide Memorial Nos.178984G, 185514G; 172996G and 202104G dated 18 December 2008, 26 August 2009, 4 June 2008, 1 September 2010 and 28 June 2010 respectively. I Soi Limitada is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
25.	Basement, Ground Floor, 1st Floor, 2nd Floor, 3rd Floor and 4th Floor Block A Centro Comercial Hoi Meng Avenida de Almeida Ribeiro No.201/209 Macau	<p>The property comprises a shop unit on Ground Floor, the whole of Basement, 1st Floor, 2nd Floor, 3rd Floor and 4th Floor of a 6-storey (including Basement) commercial building with shop units on Ground Floor and commercial spaces on Basement and upper floors. The property was completed in 1998.</p> <p>The property has a total registered saleable area of 11,243 square feet (1,044.53 square metres) or thereabouts.</p> <p>The property is held under Government Lease in perpetual.</p>	The property is subject to three tenancies with the latest expiry date on 31 October 2013 at a total rental of \$460,000 per month.	HK\$132,000,000

*Notes:*

- (1) The registered owner of the property is I Veng Limited registered vide Memorial No.137483 G dated 17 August 2006. I Veng Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Banco da East Asia, Limitada, Sucursal de Macau registered vide Memorial No.70808 C dated 17 August 2006.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
26.	Flats A and C on 12th Floor and Flat B on 17th Floor Ying Fai Court No.1 Ying Fai Terrace Hong Kong  3/74th shares of and in The Remaining Portion of Section A of Inland Lot No. 4620, The Remaining Portion of Inland Lot No. 4620 and Sub-Section 1 of Section A of Inland Lot No. 4620	The property comprises three residential units on 12th Floor and 17th Floor of a 25-storey residential building completed in 1986.  The property has a total saleable area of 1,387 square feet (128.9 square metres) or thereabouts.  Inland Lot No.4620 is held under a Government Lease for a term of 999 years commencing from 10 October 1859.	The property is subject to three tenancies for terms of one to two years with the latest expiry date on 21 October 2012 at a total rental of HK\$39,500 per month, inclusive of rates and management fee.	HK\$14,500,000

*Notes:*

- (1) The registered owner of the property is Super Harmony Holdings Limited, via three assignments dated 31 March 2008, 1 August 2006 and 31 March 2008, registered vide Memorial Nos.08042101600036, 06082601100035 and 08042101600066 respectively. Super Harmony Holdings Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Residential (Group A)" zone under the Mid-Levels West Outline Zoning Plan No.S/H11/15 dated 19 March 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
27.	Flat A on 1st Floor Shing On Building Nos.38-46 Shing On Street Hong Kong  1/66th share of and in Shau Kei Wan Inland Lot No.728	<p>The property comprises a residential unit on 1st Floor of a 9-storey commercial/residential tenement building with shop units on Ground Floor and residential units on upper floors. The property was completed in 1965.</p> <p>The property has a saleable area of 356 square feet (33.1 square metres) plus flat roof of 124 square feet (11.5 square metres) or thereabouts.</p> <p>Shau Kei Wan Inland Lot No.728 is held under Conditions of Sale No.7490 for a term of 75 years commencing from 13 November 1962, renewable for a further term of 75 years.</p>	The property is subject to a tenancy expiring on 31 May 2011 at a rental of HK\$4,000 per month, inclusive of rates and exclusive of management fee.	HK\$1,600,000

*Notes:*

- (1) The registered owner of the property is Super Harmony Holdings Limited, via an assignment dated 31 March 2008, registered vide Memorial No.08042101600042. Super Harmony Holdings Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Residential (Group A)" zone under the Shau Kei Wan Outline Zoning Plan No.S/H9/16 dated 18 December 2009.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
28.	No.66 Jardine's Bazaar Hong Kong  Inland Lot No.7078	<p>The property is situated on a site which is irregular in shape and has a registered site area of 995 square feet (92.4 square metres) or thereabouts.</p> <p>The property comprises three shop units on Ground Floor and four commercial units on upper floors of a 5-storey building completed in 1957.</p> <p>The property has a total saleable area of 4,012 square feet (372.1 square metres) or thereabouts.</p> <p>Inland Lot No.7078 is held under a Government Lease for a term of 75 years commencing from 3 January 1900, renewable for a further term of 75 years.</p>	The property is subject to five tenancies for terms of one to three years with the latest expiry date on 15 June 2013 at a total rental of HK\$163,000 per month, inclusive of rates.	HK\$108,000,000

*Notes:*

- (1) The registered owner of the property is Rich Gallant Investment Limited, via an assignment dated 29 February 2008, registered vide Memorial No.08032800980229. Rich Gallant Investment Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank Limited dated 29 February 2008, registered vide Memorial No.08032800980237.
- (3) The property is subject to a Notice No.WC/TB01345/07/HK-N01S by the Building Authority under s.24C (1) of the Buildings Ordinance dated 21 June 2007, registered vide Memorial No.08042901670363. In the course of our valuation, we have assumed that that above Notice has been complied with.
- (4) The property falls within an area zoned "Commercial/Residential" under Causeway Bay Outline Zoning Plan No.S/H6/15 dated 17 September 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
29.	Shops A, B and E on Ground Floor Hung Kei Mansion Nos.5-8 Queen Victoria Street & Nos.17-23 Man Yee Lane (formerly known as Chinese Street) Hong Kong  36/333rd shares of and in Section 8 of Inland Lot No.1622	The property comprises three shop units on Ground Floor of a 22-storey commercial/residential composite building completed in 1971.  The property has a total saleable area of 2,272 square feet (211.07 square metres) or thereabouts.  Inland Lot No.1622 is held under a Government Lease for a term of 999 years commencing from 26 June 1843.	The property is subject to three tenancies for a term of three years expiring on 28 November 2010 at a total rental of HK\$288,000 per month, and subject to a tenancy for a term of three years commencing on 29 November 2010 and expiring on 28 November 2013 at a rental of HK\$330,000 per month, exclusive of rates and management fee.	HK\$134,000,000

*Notes:*

- (1) The registered owner of the property is Shining Silver Limited vide Memorial No.08032702470264 dated 29 February 2008. Shining Silver Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Chong Hing Bank Limited vide Memorial No.08032702470270 dated 29 February 2008.
- (3) The property falls within an area zoned "Commercial" under Central District Outline Zoning Plan No.S/H4/13 dated 16 July 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
30.	Shops 1 to 6 on Ground Floor 1st Floor and Canopy Adjacent Thereto 2nd Floor Reserved Flat Roof Portion and 1st and 2nd Advertising Walls East Ocean Court 525 Shanghai Street Kowloon  1693/3122nd shares of and in Kowloon Inland Lot No.8181	<p>The property comprises six shop units on Ground Floor, the whole of 1st and 2nd Floors, a flat roof on 3rd Floor and two advertising walls of a 25-storey commercial/residential building completed in 1997.</p> <p>The property has a total saleable area of about 4,414 square feet (410.1 square metres) plus flat roofs of about 1,178 square feet (109.4 square metres).</p> <p>Kowloon Inland Lot No.8181 is held under a Government Lease for a term of 150 years commencing on 26 September 1888.</p>	The property is subject to two tenancies for terms of two or three years with the latest expiry date on 15 May 2011 at a total monthly rent of HK\$285,000 exclusive of rates and management fee.	HK\$79,500,000

*Notes:*

- (1) The registered owner of the property is Edaily Systems Limited, vide an assignment dated 15 January 2008, registered vide Memorial No.08021402320147. Edaily Systems Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank, Limited dated 29 February 2008, registered vide Memorial No.08032802950144.
- (3) The property falls within the "Residential (Group A)" zone under the Mong Kok Outline Zoning Plan No.S/K3/28 dated 17 September 2010.



Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
31. Ground Floor (including the yard), Mezzanine Floor (including the flat roof) and 1st Floor No.1 Reclamation Street Kowloon	The property comprises a shop unit on Ground Floor, a commercial unit on Mezzanine Floor and a residential unit on 1st floor of a 7-storey commercial/residential composite building completed in 1965.	Ground floor (including the yard) is subject to two tenancies for terms of one or three years with the latest expiry date on 8 July 2013 at a total rental of HK\$35,000 per month, inclusive of rates and management fee.	HK\$14,000,000
4/8th shares of and in Kowloon Inland Lot No. 8179	The property has a total saleable area of 1,784 square feet (165.7 square metres) or thereabouts including a balcony of 106 square feet (9.8 square metres) plus a yard of 25 square feet (2.3 square metres) and a flat roof of 130 square feet (12.1 square metres) or thereabouts.	Mezzanine Floor (including the flat roof) is subject to a tenancy for a term of one year expiring on 14 June 2011 at a rental of HK\$9,000 per month, exclusive of rates and management fee.  1st floor is subject to a tenancy for a term of two years expiring on 14 May 2012 at a rental of HK\$6,000 per month, inclusive of rates.	
	Kowloon Inland Lot No.8179 is held under a Government Lease for a term of 150 years commencing from 28 March 1887.		

*Notes:*

- (1) The registered owner of the property is Keenpower Base Limited, via two assignments dated 27 February 2008, registered vide Memorial Nos.08032601120079 and 08031000920109. Keenpower Base Limited is a wholly-owned subsidiary of the Company.
- (2) Ground Floor (including the yard) is subject to a Superseding Notice No.WNZ/U16-001/0002/06 by the Building Authority under S.24C(1) of Buildings Ordinance dated 13 August 2008, registered vide Memorial No.09040600490238. In the course of our valuation, we have assumed that the above Notice has been complied with.
- (3) The property falls within an area zoned "Residential (Group A)" under Yau Ma Tei Outline Zoning Plan No.S/K2/21 dated 29 October 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
32.	Ground Floor No.5 Reclamation Street Kowloon	The property comprises a shop unit on Ground Floor a 6-storey commercial/residential composite building completed in 1971.	The property is subject to a tenancy for a term of two years expiring on 31 May 2011 at a rental of HK\$10,000 per month, with an option to renew for 2 years at a rental of HK\$12,000 per month.	HK\$8,500,000
	3/8th shares of and in Kowloon Inland Lot No. 9092	The property has a saleable area of 625 square feet (58.1 square metres) plus a yard of 60 square feet (5.6 square metres) or thereabouts.		
		Kowloon Inland Lot No.9092 is held under Conditions of Sale No.9668 for a term of 75 years commencing from 28 March 1962.		

*Notes:*

- (1) The registered owner of the property is Willy Profit Limited, via an assignment dated 16 December 2008, registered vide Memorial No.08123000800067. Willy Profit Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to an Order No.CBZ/S2/037525/06/K and a Superseding Order No.CBZ/S2/037523/06/K under S.24(1) of Buildings Ordinance both dated 8 July 2009, registered vide Memorial Nos.09081400900051 and 09081400900133 respectively. In the course of our valuation, we have assumed that the above Orders have been complied with.
- (3) The property falls within an area zoned "Residential (Group A)" under Yau Ma Tei Outline Zoning Plan No.S/K2/21 dated 29 October 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
33.	Unit C on 6th Floor CNT Tower No.338 Hennessy Road Hong Kong  8/2017th shares of and in Sub-sections 1 and 2 of Section C of Marine Lot No.123, The Remaining Portion of Section C of Marine Lot No.123, Section D of Marine Lot No.123, The Remaining Portion of Marine Lot No.123, and Section A of Marine Lot No.124	The property comprises an office unit on 6th floor of a 31-storey commercial building (with two basement floors) completed in 1993.  The property has a saleable area of 905 square feet (84.1 square metres) or thereabouts.  Marine Lot Nos.123 and 124 are held under two Government Leases for a term of 999 years commencing from 26 December 1860.	The property is subject to a tenancy for a term of two years expiring on 20 May 2012 at a rental of HK\$16,500 per month, exclusive of rates and management fee.	HK\$8,200,000

*Notes:*

- (1) The registered owner of the property is Headwise Investment Limited, via an assignment dated 26 March 2008, registered vide Memorial No.08041101010035. Headwise Investment Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Other Specified Uses (Mixed Use)" zone under the Wan Chai Outline Zoning Plan No.S/H5/26 dated 24 September 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
34. Avenida do Infante D. Henrique Nos.71-75 and Avenida da Praia Grande Nos.514-540 Macau	<p>The property comprises shop units on Ground floor, the whole of 1st Floor and 2nd Floor and a signage board on external wall of three 3-storey composite buildings with shop units on Ground Floor and residential units on upper floors.</p> <p>The property has a total site area of 5,425 square feet (503.99 square metres) or thereabouts.</p> <p>“Avenida do Infante D. Henrique Nos.71-75” is held under Government Lease for a term of 10 years commencing from 21 June 2005.</p> <p>“Avenida da Praia Grande Nos.514-520” is held under Government Lease for a term of 10 years commencing from 21 June 2005.</p> <p>“Avenida da Praia Grande Nos.526-528” is held under Government Lease for a term of 10 years commencing from 27 November 2002.</p> <p>“Avenida da Praia Grande Nos.532-540” is held under Government Lease for a term of 10 years commencing from 21 June 2005.</p>	<p>Ground Floor, the roof area and the signage board are subject to seven tenancies with the latest expiry date on 31 Dec 2010 at a total rental of HK\$498,000 per month.</p> <p>1st Floor and 2nd Floor are vacant.</p>	HK\$590,000,000

*Notes:*

- (1) The registered owner of the property is Fai Iek Limited registered vide Memorial Nos.166466 G, 166447 G, 170506 G, 171411 G, 171823 G and 171824 G dated 23 January 2008, 23 January 2008, 16 April 2008, 6 May 2008, 13 May 2008 and 13 May 2008 respectively. Fai Iek Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to Mortgages in favour of Hang Seng Bank Limited – Sucursal de Macau, registered vide Memorial Nos.86990 C, 93678 C and 93679 C dated 28 March 2008, 16 December 2008 and 16 December 2008 respectively.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
35. Shops A, D2 and E2 on Ground Floor Harilela Mansion No.81 Nathan Road Hong Kong  2/100th and 3/4 of 4/100th shares of and in Kowloon Inland Lot Nos.7534 and 7538	<p>The property comprises three shop units on Ground Floor of a 19-storey commercial/residential building with shop units on Basement, Ground Floor and 1st Floor, office units on 2nd Floor to 4th Floor and residential units on floors above. The property was completed in 1965.</p> <p>The property has a total saleable area of about 2,296 square feet (213.3 square metres).</p> <p>Kowloon Inland Lot Nos.7534 and 7538 are held under Conditions of Re-grant Nos.6129 and 6160 respectively, for a common term of 150 years commencing on 24 June 1889.</p>	<p>The property is subject to a tenancy for a term of three years commencing on 1 April 2008 and expiring on 31 March 2011 at a monthly rent of HK\$482,000 exclusive of rates and management fee with an option to renew for a further term of two years.</p>	HK\$210,000,000

*Notes:*

- (1) The registered owner of the property is Great Future Hong Kong Limited, via an assignment dated 8 December 2000, registered vide Memorial No.UB8342372. Great Future Hong Kong Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 13 August 2008, registered vide Memorial No.08090402540319.
- (3) The property is subject to an Order No.UBZ/U07-24/0035/07 by the Building Authority under S.24(1) of the Buildings Ordinance dated 4 February 2008, registered vide Memorial No.09030300410048. In the course of our valuation, we have assumed that this order has been complied with.
- (4) The property falls within the "Commercial (Group 6)" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
36. Shop 3 on Ground Floor Champagne Court No.16 Kimberley Road Kowloon  2/340th share of and in The Remaining Portion of Section B of Kowloon Inland Lot No.6022	<p>The property comprises a shop unit on Ground Floor of a 10-storey commercial/residential building with shop units on Ground Floor and Lower Ground Floor, commercial units on 1st Floor and residential units on floors above. The property was completed in 1957.</p> <p>The property has a saleable area of about 304 square feet (28.2 square metres).</p> <p>Kowloon Inland Lot No.6022 is held under Condition of Renewable No.4371 for a term of 150 years commencing on 24 June 1889.</p>	<p>The property is subject to a tenancy for a term of three years commencing on 15 July 2010 and expiring on 14 July 2013 at a monthly rent of HK\$118,000 exclusive of rates and management fee.</p>	HK\$43,000,000

*Notes:*

- (1) The registered owner of the property is Max Intelligence Limited, via an assignment dated 12 August 2008, registered vide Memorial No.08091101130036. Max Intelligence Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank Limited dated 29 September 2008, registered vide Memorial No.08102200770020.
- (3) The property falls within the "Commercial (Group 6)" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
37.	Emperor International Square No.7 Wang Tai Road Kowloon Bay Kowloon	The property comprises an 11-storey industrial building with car parking spaces on Ground Floor. It was completed in 1989.	The property is subject to seven tenancies (except the 18 car parking spaces are subject to license agreements at the total license fee of HK\$39,600.0) with the latest expiry date on 22 January 2014 at a total rental of HK\$2,309,006.5 per month, exclusive of rates and management fees.	HK\$681,000,000
	New Kowloon Inland Lot No.5948	The property has a total gross floor area (excluding car parking spaces) of 311,704 square feet (28,958 square metres) or thereabouts.  New Kowloon Inland Lot No.5948 is held under Conditions of Sale No.11640 for a term of 99 years commencing from 1 July 1898, less the last three days thereof and thereafter extended to 30 June 2047.		

*Notes:*

- (1) The registered owner of the property is Emperor International Square Limited via a certificate of change of name dated 31 May 2008, registered vide Memorial No.08090402540331. Emperor International Square Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 8 August 2008 vide Memorial Nos.08090402540348.
- (3) The property falls within an area zoned "Other Specified Uses (Business)" under Ngau Tau Kok & Kowloon Bay Outline Zoning Plan No. S/K13/26 dated 19 November 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
38.	3rd Floor and 5th Floor and Roof No.1A Reclamation Street Kowloon	The property comprises two residential units on 3rd Floor and 5th Floor with a roof of a 7-storey commercial/residential composite building completed in 1973.	3rd Floor is subject to a tenancy for a term of one year expiring on 31 October 2011 at a rental of HK\$5,000 per month, inclusive of rates.	HK\$2,400,000
	2/7th shares of and in Kowloon Inland Lot No.8445	The property has a total saleable area of 751 square feet (69.8 square metres) plus a roof of 266 square feet (24.7 square metres) or thereabouts.  Kowloon Inland Lot No.8445 is held under Conditions of Regrant No.7400 for a term of 150 years commencing from 28 March 1887.	5th Floor and Roof is subject to a tenancy for a term of one year expiring on 23 July 2011 at a rental of HK\$4,000 per month, inclusive of rates.	

*Notes:*

- (1) The registered owner of the property is Keenpower Base Limited, via two assignments dated 25 July 2008, registered vide Memorial Nos.08082101310012 and 08082101310029. Keenpower Base Limited is a wholly-owned subsidiary of the Company.
- (2) 3rd Floor is subject to a Superseding Order No.CBZ/S2/037518/06/K under S.24(1) of the Buildings Ordinance dated 8 July 2009 registered vide Memorial No.09081400900123. In the course of our valuation, we have assumed that the above Order has been complied with.
- (3) 5th Floor and Roof is subject to a Superseding Order No.CBZ/S2/037519/06/K under S.24(1) of the Buildings Ordinance dated 8 July 2009 registered vide Memorial No.09081400900106. In the course of our valuation, we have assumed that the above Order has been complied with.
- (4) The property falls within an area zoned "Residential (Group A)" under Yau Ma Tei Outline Zoning Plan No.S/K2/21 dated 29 October 2010.



	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
39.	54-60 Portland Street (except 1st Floor of No. 60 Portland Street) Yau Ma Tei Kowloon  Kowloon Inland Lot Nos.9849, 9725 and 4/5th shares of and in Kowloon Inland Lot No.10232	Nos. 54-60 Portland Street comprises three adjacent rectangular sites with a total registered area of about 4,053 square feet (376.5 square metres). Erected on the sites are three 4-storey commercial/residential tenement buildings which were completed in 1948.  The property has a total saleable area of about 10,013 square feet (930.2 square metres).  Kowloon Inland Lot Nos. 9849, 9725 and 10232 are held under Conditions of Re-grant Nos.9925, 9639 and 10378 for a common term of 150 years commencing on 1 January 1898.	All units within Nos. 54-60 Portland Street and Ground Floor of No. 60 Portland Street are let under various tenancies for terms of one to four years with the latest expiry date on 9 December 2012 at a total monthly rent of HK\$98,400.	HK\$122,000,000

*Notes:*

- (1) The registered owner of the property is Express Honor Enterprises Limited, via four assignments dated 30 April 2008, 30 April 2009, 18 January 2010 and 19 January 2010, registered vide Memorial Nos.08052601210043, 09052001280029, 10020401060060 and 10021001320030 respectively. Express Honor Enterprises Limited is a wholly-owned subsidiary of the Company.
- (2) Nos. 54-56 Portland Street is subject to Notice Nos.WC/TF00005/08/K-W04N and WC/TF00009/08/K-W04N by the Building Authority under S.24C(1) of the Buildings Ordinance dated 7 March 2008, registered vide Memorial Nos.10020800350177 and 10020800350200 respectively.
- (3) No. 58 Portland Street is subject to Notice Nos.WC/TF00011/08/K-W04N and WC/TF00007/08/K-W04N by the Building Authority under S.24C(1) of the Buildings Ordinance dated 7 March 2008, registered vide Memorial Nos.09081400500180 and 10020800350180 respectively.
- (4) Ground Floor and Cockloft of No. 60 Portland Street is subject to Notice Nos.WC/TF00008/08/K-W04N and WC/TF00012/08/K-W04N by the Building Authority under S.24C(1) of the Buildings Ordinance dated 7 March 2008, registered vide Memorial Nos.10020800350198 and 10020800350215 respectively.
- (5) In the course of our valuation, we have assumed that the above orders have been complied with.
- (6) Nos.58 and 60 Portland Street is subject to a Sealed Copy of Notice of Application to Lands Tribunal for an Order for Sale with Express Honour Enterprises Limited as the Applicant registered vide Memorial No.10082362780019 dated 20 August 2010.
- (7) As at 24 November 2010, we understand that acquisition of various units has been accumulated up to 90% of Nos.58 & 60 Portland Street with only 1/F of No.60 Portland Street remain outstanding. In the course of our valuation, we have valued the property based on the apportioned share of the Market Value of the whole lot in accordance with their existing use values. In arriving at our opinion, appropriate adjustments have been made to allow for the time taken to acquire the outstanding unit and its effect on the development programme.
- (8) The property falls within the "Commercial" zone under the Yau Ma Tei Outline Zoning Plan No.S/K2/21 dated 29 October 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
40.	Nos.153, 155 & 157 Castle Peak Road Yuen Long New Territories  Lot Nos. 3576, 3577 and 3578 in Demarcation District 120	<p>The property comprises shop units on ground floor (include Cocklofts) and flats on the 1st floor (with penthouses) of three 2-storey tenement buildings. The property was completed before 1945.</p> <p>The property has a total saleable area of about 4,952 square feet (460.1 square metres) and yard of about 388 square feet (36.0 square metres).</p> <p>The original grant, lease term, its date of commencement and rent cannot be traced from the Land Registry.</p>	<p>153 Castle Peak Road is subject to a tenancy for a term from 1 July 2009 to 30 June 2011 at a monthly rent of HK\$120,000 inclusive of rates.</p> <p>155 Castle Peak Road is subject to a tenancy for a term from 29 March 2010 to 28 March 2012 at a monthly rent of HK\$161,500 exclusive of rates.</p> <p>157 Castle Peak Road is subject to a tenancy for a term from 23 June 2009 to 22 June 2012 at a monthly rent of HK\$120,000 exclusive of rates.</p>	HK\$130,000,000

*Notes:*

- (1) The registered owner of the property is Lord Link Limited, via three assignments dated 13 May 2008, 2 June 2008 and 26 August 2008, registered vide Memorial Nos.08052201280054, 08062601480152 and 08092401070012 respectively. Lord Link Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank Limited dated 6 October 2009, registered vide Memorial No.09110400730061.
- (3) The property falls within the "Residential (Group A) 2" zone under the Yuen Long Outline Zoning Plan No.S/YL/18 dated 31 October 2008.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
41.	Shop 1, 6, 9, 10, 13 and 14 on Ground Floor and Flat D on 1st Floor Nos.43, 45, 47, 47A, 49 and 49A Hankow Road Kowloon  7/114th share of and in Kowloon Inland Lot No.7306	The property comprises six shop units on Ground Floor and a residential unit on 1st Floor of a 11-storey commercial/residential building with shop units on Ground Floor and residential units on upper floors. The property was completed in 1959.  The property has a total saleable area of about 1,756 square feet (163.1 square metres).  Kowloon Inland Lot No.7306 is held under Conditions of Re-grant No.5877 for a term of 150 years commencing on 24 June 1889.	The property is subject to a tenancy for a term of three years commencing on 1 August 2010 and expiring on 31 July 2013 at a monthly rent of HK\$280,000 exclusive of rates and management fee.	HK\$123,000,000

*Notes:*

- (1) The registered owner of the property is Champion Collection Limited, via an assignment dated 16 April 2008, registered vide Memorial No.08050702640850. Champion Collection Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Hang Seng Bank Limited dated 16 April 2008, registered vide Memorial No.08050702640868.
- (3) The property falls within the "Commercial (6)" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
42. Flat A on 14th Floor and Flat B on 15th Floor Kin Bong Building No.27B Shu Kuk Street Hong Kong	The property comprises two residential units on 14th Floor and 15th Floor of a 24-storey commercial/residential composite building completed in 1988.	Flat A on 14th Floor is subject to a tenancy for a term of 1 year expiring on 8 August 2011 at a rental of HK\$6,000 per month, inclusive of rates and management fee.	HK\$4,330,000
92/3800th shares of and in The Remaining Portion of Inland Lot No.3539 and The Remaining Portion of Section E of Inland Lot No.3539	The property has a total saleable area of 598 square feet (55.6 square metres) plus bay windows of 18 square feet (1.7 square metres) or thereabouts.  Inland Lot No.3539 is held under Government Lease for a term of 75 years commencing from 12 June 1933, renewable for a further term of 75 years.	Flat B on 15th Floor is subject to a tenancy for a term of 1 year expiring on 26 December 2010 at a rental of HK\$7,380 per month, inclusive of rates and management fee.	

*Notes:*

- (1) The registered owner of Flat A on 14th Floor is Yam Imelda Man Ling, via an assignment dated 17 November 2008, registered vide Memorial No.08120900550029. The registered owner of Flat B on 15th Floor is Tsui Ka Yee Katherine, via an assignment dated 24 November 2008, registered vide Memorial No.08121601300056.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Commercial/Residential" zone under the North Point Outline Zoning Plan No.S/H8/23 dated 19 March 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
43.	Nos.10, 12, 14 and 16 Luen Fat Street Fanling New Territories  Lot Nos.5050, 5051, 5052 and 5053 in Demarcation District 51	<p>The property comprises four contiguous rectangular sites with a total registered site area of about 3,840 square feet (356.7 square metres). Erected on the sites are four 2-storey commercial/residential tenement buildings with shop units on Ground Floor and residential units on 1st Floor. The buildings were completed in 1964.</p> <p>The property has a total saleable area of about 5,361 square feet (498.0 square metres).</p> <p>Lot Nos.5050, 5051, 5052 and 5053 in Demarcation District 51 are held under New Grant Nos.9639, 9365, 9310 and 9334 respectively for a common term which has been extended until 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance.</p>	The property is subject to two tenancies for a common term of six years commencing on 1 February 2009 and expiring on 31 January 2015 at a total monthly rent of HK\$32,000 exclusive of rates. The property can be vacated for redevelopment after the 30th month of the tenancies by serving 6-month notice.	HK\$41,000,000

*Notes:*

- (1) The registered owner of the property is Gallan Limited, via three assignments (for Nos.10, 12 and 14 Luen Fat Street) dated 22 January 2007, registered vide Memorial Nos.07021600980042, 07021600980051 and 07021600980066 and via an assignment (for No.16 Luen Fat Street) dated 29 June 2007, registered vide Memorial No.07072702530027. Gallan Limited is a wholly-owned subsidiary of the Company.
- (2) There is no material encumbrances registered against the property.
- (3) The property falls within the "Commercial/Residential" zone under the Fanling/Sheung Shui Outline Zoning Plan No.S/FSS/14 dated 20 April 2007.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
44.	Shop C on Ground Floor Flats A and B on 1st Floor Mercantile House 186-188 Nathan Road Kowloon	3/70th shares of and in Kowloon Inland Lot No.8631 The property comprises a shop unit on Ground Floor and two office units on 1st Floor of a 16-storey commercial/residential building with shop units on Ground Floor, office units on 1st Floor to 2nd Floor and residential units on floors above. The property was completed in 1963.  The property has a total saleable area of about 2,339 square feet (217.3 square metres).  Kowloon Inland Lot No.8631 is held under Conditions of Re-grant No.8481 for a term of 150 years commencing on 25 December 1893.	The property is subject to a tenancy for a term from 20 October 2008 to 19 October 2011 at a monthly rent of HK\$195,000 inclusive of rates and management fees.	HK\$100,000,000

*Notes:*

- (1) The registered owner of the property is Betuna Investments Limited, via an assignment dated 30 November 2009, registered vide Memorial No.09121700850121. Betuna Investments Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 30 November 2009, registered vide Memorial No.09121700850133.
- (3) The property falls within the "Commercial" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
45. Basement, The Whole of Lower and Upper Ground Floors, and Second Floor and Third Floor Healthy Gardens No.560 King's Road Hong Kong  54074/290671st shares of and in Inland Lot No. 3546	<p>The property comprises the whole of the commercial/car parking podium of a 28-storey commercial/residential composite development completed in 1979. The property includes the entire Basement, the entire Lower and Upper Ground Floors, the entire Second Floor and Third Floor with 353 car parking spaces, and the non-domestic portion of the flat roofs on the podium.</p> <p>The property has a total gross floor area of about 11,533.7 square metres (124,149 square feet) plus flat roofs on the roof of the podium of about 1,755.0 square metres (18,891 square feet). The gross floor area of individual floor is listed as follows:</p> <p>Basement : 339.8 sq.m. (3,658 sq. ft.)            LG/F : 5,780.8 sq.m. (62,225 sq. ft.)            UG/F : 5,176.3 sq.m. (55,717 sq. ft.)            2/F : 236.8 sq.m. (2,549 sq. ft.)            3/F : Nil</p> <p>Inland Lot No. 3546 is held under Government Lease for a term of 75 years from 5 May 1936, renewable for a further term of 75 years.</p>	<p>The property is subject to various tenancies or licences for terms mainly of 2 or 3 years with the latest expiry date on 15 November 2013 at a total rental/licence fee of HK\$4,060,804.25 per month.</p>	HK\$1,220,000,000

*Notes:*

- (1) The registered owner of the property is National Goal Limited, via an assignment dated 17 December 2009, registered vide Memorial No.10011302430128. National Goal Limited is a wholly-owned subsidiary of the Company.
- (2) Basement, The Whole of Lower and Upper Ground Floors of the property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 21 December 2009, registered vide Memorial No.10011302430157. Second Floor and Third Floor of the property is subject to a Mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited dated 17 December 2009, registered vide Memorial No.10011302430131.
- (3) The property falls within the "Residential (Group A)" zone under North Point Outline Zoning Plan of plan No.S/H8/23 dated 19 March 2010.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
46. Shop D on Ground Floor Mercantile House 186-188 Nathan Road Kowloon  1/70th share of and in Kowloon Inland Lot No.8631	<p>The property comprises a shop unit on Ground Floor of a 16-storey commercial/residential building with shop units on Ground Floor, office units on 1st Floor to 2nd Floor and residential units on upper floors. The property was completed in 1963.</p> <p>The property has a saleable area of about 225 square feet (20.9 square metres).</p> <p>Kowloon Inland Lot No.8631 is held under Conditions of Re-grant No.8481 for a term of 150 years commencing on 25 December 1893.</p>	The property is subject to a tenancy for a term from 6 October 2010 to 5 October 2011 at a monthly rent of HK\$8,000 exclusive of rates and management fees.	HK\$5,000,000

*Notes:*

- (1) The registered owner of the property is Betuna Investments Limited, via an assignment dated 20 May 2010, registered vide Memorial No.10060900910038. Betuna Investments Limited is a wholly-owned subsidiary of the Company.
- (2) There is no material encumbrances registered against the property.
- (3) The property falls within the "Commercial" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.



	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
47.	Unit 1 on 6th Floor, Block A and Unit 5 on 6th Floor, Block C Ko Fai Industrial Building 7 Ko Fai Rod Kowloon	<p>The property comprises 2 workshops on 6th Floor of a 12-storey industrial building with car parking spaces on Ground Floor. The building was completed in 1978.</p> <p>The property has a total gross floor area of 20,980 square feet (1,949 square metres) or thereabouts.</p> <p>Yau Tong Inland Lot No. 11 is held under Conditions of Sale No. 9576 for a term of 99 years commencing from 1 July 1898, less the last three days thereof and thereafter extended to 30 June 2047.</p>	The property is subject to a tenancy for a term of three years expiring on 31 October 2013 at a monthly rent of HK\$55,100 inclusive of rates and management fees, and a 4-month rent free period.	HK\$26,500,000

*Notes:*

- (1) The registered owner of the property is Golden Pegasus Investment Limited, via an assignment dated 30 April 2010, registered vide Memorial No.10051800380020. Golden Pegasus Investment Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Commercial" zone under the Outline Zoning Plan No.S/K15/18 dated 9 October 2009.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
48.	Shop G on Ground Floor and the Rear Yard on Ground Floor Kwan Sen Mansion No.19-29 Mut Wah Street Kowloon	<p>The property comprises a shop unit on Ground Floor of a 9-storey commercial/residential building with shop units on Ground Floor and residential units on floors above. The property was completed in 1965.</p> <p>The property has a saleable area of about 375 square feet (34.8 square metres) plus a yard of about 91 square feet (8.5 square metres).</p> <p>Kowloon Inland Lot No.410 is held under Conditions of Sale No.7776 for a term of 99 years commencing on 1 July 1898.</p>	The property is subject to a tenancy for a term of 3 years from 7 July 2008 to 6 July 2011 at a monthly rent of HK\$70,000, with an option to renew for 3 years.	HK\$31,800,000

*Notes:*

- (1) The registered owner of the property is Super Target Limited, via an assignment dated 14 September 2010, registered vide Memorial No.10101201460061. Super Target Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Mortgage in favour of Wing Lung Bank Limited dated 14 September 2010, registered vide Memorial No.10101201460079.
- (3) The property falls within the "Residential (Group A)" zone under the Kwun Tong South Outline Zoning Plan No.S/K14S/16 dated 15 July 2008.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
49.	Flat A on Ground Floor 6 Hillwood Road Kowloon	<p>The property comprises a shop unit on Ground Floor of an 8-storey commercial/residential building with shop units on Ground Floor and residential units on floors above. The property was completed in 1970.</p> <p>The property has a saleable area of about 582 square feet (54.07 square metres).</p> <p>Kowloon Inland Lot No.8842 is held under Conditions of Sale No.UB8009 for a term of 150 years commencing on 25 December 1893.</p>	<p>The property is subject to a tenancy for a term from 1 September 2010 to 31 August 2012 at a monthly rent of HK\$65,000, with an option to renew for a further term of 2 years.</p>	HK\$22,000,000

*Notes:*

- (1) The registered owner of the property is Even Glory Investment Limited, via an assignment dated 4 October 2010, registered vide Memorial No.10101301870098. Even Glory Investment Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Commercial" zone under the Tsim Sha Tsui Outline Zoning Plan No.S/K1/25 dated 12 February 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
50.	Flat C on 24/F Village Tower No.7 Village Road Hong Kong  8/1064th shares of and in Sub-section 1 of Section A of Inland Lot No.2841 and The Remaining Portion of Section A of Inland Lot No.2841	<p>The property comprises a residential unit on 24th Floor of a 28-storey residential building with car parking spaces on ground floor and basement completed in 1972.</p> <p>The property has a gross floor area of 900 square feet (83.6 square metres) and a saleable area of 653 square feet (60.7 square metres) or thereabouts.</p> <p>Inland Lot No.2841 is held under Government Lease for a term of 75 years commencing from 11 July 1921, renewable for a further term of 75 years.</p>	The property is subject to a tenancy for a term of two years expiring on 31 October 2012 at a rental of \$25,000 per month, inclusive of rates and management fee.	HK\$7,900,000

*Notes:*

- (1) The registered owner of the property is Glory Hero Corporation Limited, via an assignment dated 29 March 2004, registered vide Memorial No.UB9187831. Glory Hero Corporation Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Residential (Group B)" zone under the Wong Nai Chung Outline Zoning Plan No.S/H7/15 dated 30 September 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
51.	Flat No.12 on 26th Floor Apartment Tower on the Western Side Convention Plaza, No.1 Harbour Road Hong Kong	The property comprises a residential unit on 26th Floor of a 46-storey residential building with the provision of commercial complex, carparks and recreational club facilities. The property was completed in 1990.	The property is subject to a tenancy for a term of two years expiring on 9 January 2011 at a rental of \$22,000 per month, inclusive of rates and management fee.	HK\$9,300,000
	578/4000000th shares of and in the Inland Lot No.8593	The property has a gross floor area of 843 square feet (78.3 square metres) and a saleable area of 659 square feet (61.2 square metres) or thereabouts.  Inland Lot No.8593 is held under Conditions of Grant No.UB11784 for a term of 75 years commencing from 19 February 1985.		

*Notes:*

- (1) The registered owner of the property is Main Benefit Limited, via an assignment dated 20 January 1996, registered vide Memorial No.UB6529102. Main Benefit Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Other Specified Uses (Exhibition Centre with Commercial Development)" zone under the Wan Chai North Outline Zoning Plan No.S/H25/2 dated 22 May 2009.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
52.	8th Floor Lok Kui Industrial Building Nos.6-8 Hung To Road Kowloon  2/28th shares of and in Kwun Tong Inland Lot Nos.371 & 372	<p>The property comprises the whole 8th Floor of a 13-storey industrial building completed in 1979.</p> <p>The property has a gross floor area of 8,000 square feet (743.2 square metres) and a saleable area of 6,884 square feet (639.5 square metres) or thereabouts.</p> <p>Kwun Tong Inland Lot Nos.371 &amp; 372 are held under Government Leases for a term of 21 years renewable for 14 years commencing from 1 July 1962 and thereafter extended to 30 June 2047.</p>	The property is subject to a tenancy for a term of three years expiring on 31 March 2011 at a rental of \$35,000 per month, exclusive of rates and management fee.	HK\$9,600,000

*Notes:*

- (1) The registered owner of the property is Team Profit International Limited, via an assignment dated 16 February 2006, registered vide Memorial No.06031300160043. Team Profit International Limited is a wholly-owned subsidiary of the Company.
- (2) There are no material encumbrances registered against the property.
- (3) The property falls within the "Other Specific Uses (Business)" zone under the Kwun Tong (South) Outline Zoning Plan No.S/K14S/16 dated 12 September 2008.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
53.	Various properties located in Hong Kong	The properties comprise 40 residential units within 19 commercial/residential buildings plus a commercial/residential building. The properties have a total saleable area of 17,560 square feet (1,631.4 square metres) or thereabouts. The properties were completed between 1956 and 1992.	37 of the properties are let under various tenancies at a total rent of about HK\$226,000 per month, inclusive of rates, with the latest expiring on 30 November 2012. The other 3 properties are vacant.	HK\$178,830,000

*Notes:*

- (1) The registered owner of each property is a wholly-owned subsidiary of the Company. There are no material encumbrances registered against the property.

			Market Value in existing state as at 24 November 2010	
Property	Description and tenure	Particulars of occupancy		
54.	<p>9 shops on G/F and 1/F and 7 ancillary car parking spaces at Basements 1 and 2 of Phase I Riverside Garden Hubin Bei Road Xiamen Fuian Province The PRC</p>	<p>The property comprises 3 residential units on various floors of Block 2 of Riverside Garden which accommodates four blocks composite buildings with car parking spaces at basement and shop units on Ground Floor and 1st Floor. The property was completed in 2009.</p> <p>The shop units have a total saleable floor area of approximately 63,209 square feet (5,872.28 square metres).</p> <p>The land use rights of the whole development have been granted for a term of 70 years, 40 years and 50 years commencing from 30 April 1992 for residential, commercial and office use respectively, which has been extended for a further term of 10 years.</p>	<p>Retail portion are subject to various tenancies all for a term of six years with the latest expiry date on 29 February 2016 at a total rental of RMB377,646.88 per month exclusive of management fee.</p> <p>The car parking spaces are subject to various tenancies all for a term of 5 or 6 years with the latest expiry date on 29 February 2016 at a total rent of RMB2,100 per month.</p>	HK\$90,300,000

*Notes:*

- (1) Pursuant to the Certificate of Real Estate Title Xia Di Fang Zheng No.00000287 issued by Xiamen Land and Building Administration Bureau dated 3 December 1998, the land use right of the development with a total site area of approximately 11,738.15 square metres is held by the Emperor (Xiamen) Real Estate Investments Limited (英皇(廈門)地產發展有限公司) for a land use right term of 50 years for office use, 40 years for commercial use and 70 years for residential use commencing from 30 April 1992. Emperor (Xiamen) Real Estate Investments Limited, the developer of Riverside Garden, is a subsidiary of the Company in which the Group has a 95% interest.
- (2) Pursuant to the Business Licence Qi Du Men Xia Zhong Fu Zi No.01413 dated 9 June 1994, Emperor (Xiamen) Real Estate Investments Limited was established with a registered capital of US\$5,000,000 for an operation period commencing from 6 January 1993 to 6 January 2013 for real estate development business.
- (3) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-
 

i.	Real Estate Title Certificate	Yes
ii.	Permit of Commodity Building for Presale	Yes
iii.	Business License	Yes



- (4) We have been provided with a copy of legal opinion on the title of the property prepared by the Group's legal adviser, which contains, inter alia, the following: –
- i. The Property is not subject to any liabilities, mortgages, liens or any other material encumbrances;
  - ii. Pursuant to the State-owned Land Use Rights Certificate, Emperor (Xiamen) Real Estate Investments Limited has legally held the land use rights of the subject development with a site area of 11,738.15 sq.m and Emperor (Xiamen) Real Estate Investments Limited can legally commence construction work, pre-sell, transfer, lease and mortgage the property;
  - iii. As Emperor (Xiamen) Real Estate Investments Limited has obtained the Permit for Commodity House Presale, Emperor (Xiamen) has the rights to transfer, mortgage, leased and bestow all the commodity houses under such Permit during the granted land use rights term without seeking the approval from the relevant Government authorities;
  - iv. The building ownership of the property is legally held by Emperor (Xiamen) Real Estate Investments Limited and Emperor (Xiamen) Real Estate Investments Limited can sell, mortgage and lease the property according to relevant law;
  - v. There is not any existing law, regulations or contracts to restrict Emperor (Xiamen) Real Estate Investments Limited from transferring, mortgaging or gifting the above mentioned land use rights and property to any third party.

**Group II – Properties owned by the Group and held for Sale in Hong Kong and the PRC**

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing state as at 24 November 2010</b>
55.	Private Car Parking Space No.129 Motor Cycle Parking Spaces Nos. M1-M6 Bicycle Parking Spaces Nos. B1-B6 in the Garage of JC Castle No.18 Shan Tong Road Tai Po New Territories  30/12,263rd shares of and in Tai Po Town Lot No.165	The property comprises a private car parking space, 6 motor cycle parking spaces and 6 bicycles parking spaces on Ground Floor of a residential development comprising low-density residential blocks and houses. The property was completed in 2002.  Tai Po Town Lot No.165 is held under New Grant No.13724 for a term of 50 years commencing from 13 December 1999.	All spaces are vacant.	HK\$300,000

*Notes:*

- (1) The registered owner of the property is Circle World Limited, via New Grant No.13724 of Tai Po Town Lot No.165. Circle World Limited is a subsidiary of the Company in which the Group has a 90.1% interests. There are no material encumbrances registered against the property.
- (2) The property falls within the “Residential (Group C) 4” zone under the Tai Po Outline Zoning Plan of plan No.S/TP/22 dated 17 September 2010.

			Market Value in existing state as at 24 November 2010
Property	Description and tenure	Particulars of occupancy	
56.	Duplex unit B on 28th Floor & 29th Floor of Block 1 and 7 ancillary car parking spaces at Basements 1 and 2 of Phase I Riverside Garden Hubin Bei Road Xiamen Fujian Province The PRC	<p>The property comprises a duplex residential unit on 28th and 29th Floors of Block 1 and 14 car parking spaces at Basements 1 and 2 of Riverside Garden which accommodates two 31-storey residential buildings with car parking spaces at basement and shop units on Ground Floor. The property was completed in 1999.</p> <p>The property has a gross floor area of 2,410 square feet (223.9 square metres) or thereabouts.</p> <p>The land use rights has been granted for a term of 70 years, 40 years and 50 years commencing from 30 April 1992 for residential, commercial and office use respectively.</p>	HK\$6,600,000

*Notes:*

- (1) Pursuant to the Certificate of Real Estate Title Xia Di Fang Zheng No.00000287 issued by Xiamen Land and Building Administration Bureau dated 3 December 1998, the land use right of the development with a total site area of approximately 11,738.15 square metres is held by the Emperor (Xiamen) Real Estate Investments Limited (英皇(廈門)地產發展有限公司) for a land use right term of 50 years for office use, 40 years for commercial use and 70 years for residential use commencing from 30 April 1992. Emperor (Xiamen) Real Estate Investments Limited, the developer of Riverside Garden, is a subsidiary of the Company in which the Group has a 97.19% interest.
- (2) Pursuant to the Business Licence Qi Du Men Xia Zhong Fu Zi No.01413 dated 9 June 1994, Emperor (Xiamen) Real Estate Investments Limited was established with a registered capital of US\$5,000,000 for an operation period commencing from 6 January 1993 to 6 January 2013 for real estate development business.
- (3) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–
 

i.	Real Estate Title Certificate	Yes
ii.	Permit of Commodity Building for Presale	Yes
iii.	Business Licence	Yes

- (4) We have been provided with a copy of legal opinion on the title of the property prepared by the Group's legal adviser, which contains, inter alia, the following: –
- i. The Property is not subject to any liabilities, mortgages, liens or any other material encumbrances;
  - ii. Pursuant to the State-owned Land Use Rights Certificate, Emperor (Xiamen) Real Estate Investments Limited has legally held the land use rights of the subject development with a site area of 11,738.15 sq.m and Emperor (Xiamen) Real Estate Investments Limited can legally commence construction work, pre-sell, transfer, lease and mortgage the Property;
  - iii. As Emperor (Xiamen) Real Estate Investments Limited has obtained the Permit for Commodity House Presale, Emperor (Xiamen) has the rights to transfer, mortgage, leased and bestow all the commodity houses under such Permit during the granted land use rights term without seeking the approval from the relevant Government authorities;
  - iv. The building ownership of the property is legally held by Emperor (Xiamen) Real Estate Investments Limited and Emperor (Xiamen) Real Estate Investments Limited can sell, mortgage and lease the property according to law;
  - v. There is not any existing law, regulations or contracts to restrict Emperor (Xiamen) Real Estate Investments Limited from transferring, mortgaging or gifting the above mentioned land use rights and property to any third party.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
57.	Unit 317, 1611, 1704 of Phase II Riverside Garden Hubin Bei Road Xiamen Fuian Province The PRC	<p>The property comprises 3 residential units on various floors of Block 2 of Riverside Garden which accommodates four blocks composite buildings with car parking spaces at basement and shop units on Ground Floor and 1st Floor. The property was completed in 2009.</p> <p>The residential flats have a total gross floor area of approximately 5,644 square feet (524.3 square metres).</p> <p>The land use rights of the whole development have been granted for a term of 70 years, 40 years and 50 years commencing from 30 April 1992 for residential, commercial and office use respectively, which has been extended for a further term of 10 years.</p>	The 3 residential units are vacant.	HK\$10,600,000

*Notes:*

- (1) Pursuant to the Certificate of Real Estate Title Xia Di Fang Zheng No.00000287 issued by Xiamen Land and Building Administration Bureau dated 3 December 1998, the land use right of the development with a total site area of approximately 11,738.15 square metres is held by the Emperor (Xiamen) Real Estate Investments Limited (英皇(廈門)地產發展有限公司) for a land use right term of 50 years for office use, 40 years for commercial use and 70 years for residential use commencing from 30 April 1992. Emperor (Xiamen) Real Estate Investments Limited, the developer of Riverside Garden, is a subsidiary of the Company in which the Group has a 97.19% interest.
- (2) Pursuant to the Business Licence Qi Du Men Xia Zhong Fu Zi No.01413 dated 9 June 1994, Emperor (Xiamen) Real Estate Investments Limited was established with a registered capital of US\$5,000,000 for an operation period commencing from 6 January 1993 to 6 January 2013 for real estate development business.
- (3) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-
 

i.	Real Estate Title Certificate	Yes
ii.	Permit of Commodity Building for Presale	Yes
iii.	Business License	Yes

- (4) We have been provided with a copy of legal opinion on the title of the property prepared by the Group's legal adviser, which contains, inter alia, the following: –
- i. The Property is not subject to any liabilities, mortgages, liens or any other material encumbrances;
  - ii. Pursuant to the State-owned Land Use Rights Certificate, Emperor (Xiamen) Real Estate Investments Limited has legally held the land use rights of the subject development with a site area of 11,738.15 sq.m and Emperor (Xiamen) Real Estate Investments Limited can legally commence construction work, pre-sell, transfer, lease and mortgage the property;
  - iii. As Emperor (Xiamen) Real Estate Investments Limited has obtained the Permit for Commodity House Presale, Emperor (Xiamen) has the rights to transfer, mortgage, leased and bestow all the commodity houses under such Permit during the granted land use rights term without seeking the approval from the relevant Government authorities;
  - iv. The building ownership of the property is legally held by Emperor (Xiamen) Real Estate Investments Limited and Emperor (Xiamen) Real Estate Investments Limited can sell, mortgage and lease the property according to relevant law;
  - v. There is not any existing law, regulations or contracts to restrict Emperor (Xiamen) Real Estate Investments Limited from transferring, mortgaging or gifting the above mentioned land use rights and property to any third party.

**Group III – Properties owned by the Group under development or held for future development in Hong Kong and the PRC**

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
58.	A parcel of land located at Lot No.09-10 Jin Gu Zhou Economic Development Zone Xinhui District Guangdong Province The PRC	The property comprises a trapezoidal shape site with a site area of 37,628 square metres (405,027square feet) or thereabouts is situated to the south of Xinhui town. The locality is an area designated as the new town area of Xinhui.  The property is held under a land use right for a term of 70 years expiring on 1 March 2074 for composite residential use.	The site is currently vacant.	No commercial value

*Notes:*

- (1) Pursuant to the State-owned Land Use Certificate Xin Fu Guo Yong (Chu 1995) Zi No.2100310 dated 15 August 1995, issued by The People's Government of Guangdong Province, the land use rights of the property with an area of 33,463 square metres (Lot Nos.07-02, 07-03, 07-04, 07-08) was granted to Xinhui Emperor Property Development Co. Ltd. (新會英皇房地產發展有限公司) for a term of 70 years for commercial, finance, tourism, cultural & entertainment, office and residential use.
- (2) Pursuant to the Land Exchange Agreement entered into between Jiang Men City Xinhui District Jin Gu Zhou Economic Development Zone Management Committee (Party A) and Xinhui Emperor Property Development Company Limited (Party B) dated 1 March 2004, Party B is permitted to surrender Lot Nos. 07-02, 07-03, 07-04, 07-08 with an area of approximately 33,463 square metres in exchange for the land Lot No.09-10 with an area of approximately 37,628 square metres. The land premium of the original lots is used to off set the premium for the new lot. Party B was not liable to settle the site area difference arose from the exchange of land.
- (3) Pursuant to the Contract for Grant of Land Use Right entered into between Guangdong Province Jiang Men City Xinhui District State-owned Land Resources Bureau and Xinhui Emperor Property Development Company Limited dated 1 March 2004, the right to use Lot No.09-10 was granted to Xinhui Emperor Property Development Company Limited for a term of 70 years.
- (4) Pursuant to the State-owned Land Use Certificate Xin Guo Yong (2004) No.02843 dated 30 August 2004, issued by The People's Government of Jiang Men City, the land use rights of the property with an area of 37,628 square metres was granted to Xinhui Emperor Property Development Company Limited for a term expiring on 1 March 2074 for composite residential use.
- (5) Pursuant to the Idle Land Confirmation letter, Jiang Guo Tu Zi Xin Ren Ding Zi 2007 No. 323, dated 10 December 2007, issued by Jiangmen City Land Resources Bureau, the property held by Xinhui Emperor Property Development Co. Ltd. (新會英皇房地產發展有限公司), located at No.09-10, the Central District of Xinhui Economic Development Zone with a total site area of 37,628 sq.m. had been confirmed as idle land.
- (6) Pursuant to the Business Licence Qi Du Yu Jiang Zhong Zi No.003387, Xinhui Emperor Property Development Company Limited was established with a registered capital of HK\$24,000,000 for an operation period commencing from 18 October 1993 to 17 October 2013 for real estate development business. Xinhui Emperor Property Development Company Limited is a wholly-owned subsidiary of the Company.

- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:–
- |      |  |     |
|------|--|-----|
| i.   | State-owned Land Use Rights Grant Contract | Yes |
| ii.  | State-owned Land Use Rights Certificates   | Yes |
| iii. | Business License                           | Yes |
- (8) We have been provided with a copy of legal opinion on the title of the property prepared by the Group's legal adviser, which contains, inter alia, the following:–
- (i) The Property is not subject to any liabilities, mortgages, liens or any other material encumbrances;
  - (ii) Pursuant to the State-owned Land Use Rights Certificate, Xinhui Emperor Property Development Co., Ltd. has legally held the land use rights and development rights of the property with a site area of 37,628 sq.m and Xinhui Emperor Property Development Co., Ltd. can legally commence construction work;
  - (iii) The property had been confirmed as idle land by Jiangmen City Land Resources Bureau on 10 December 2007. Xinhui Emperor Property Development Co. Ltd. (新會英皇房地產發展有限公司) are not able to transfer or mortgage the property at this time. In case Xinhui Emperor Property Development Co. Ltd. (新會英皇房地產發展有限公司) make relevant application and settle the relevant charges (the charges has not been confirmed), the property may be free to be transferred and mortgaged upon relevant approval.
- (9) The property has no immediate development potential as the property had been confirmed as idle land.



Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
59. A parcel of land located at Yong An Xi Li Chao Yang District Beijing The PRC	<p>The property comprises a parcel of land with a site area of approximately 8,214.51 square metres (88,421 square feet).</p> <p>The property is planned to be developed into an office and commercial development with a total permitted gross floor area of approximately 75,844 square metres (816,385 square feet). It is scheduled for completion in 2014.</p> <p>The land use rights of the development has been granted for 50 years commencing from 28 April 2006 and expiring on 27 April 2056 for composite use.</p>	Currently, resettlement arrangement is being proceeded.	HK\$1,003,000,000 (See Note 2)

*Notes:*

- (1) Pursuant to the State-owned Land Use Certificate Jing Chao Guo Yong (2009 Chu) No.0487 dated 22 September 2009, issued by The People's Government of Beijing Chao Yang District, the land use rights of the property with an area of 8,214.51 square metres was granted to Emperor (Beijing) Real Estate Development Company Limited (英皇 (北京) 房地產開發有限公司) for a term of 50 years commencing from 28 April 2006 and expiring on 27 April 2056 for composite use with basement carport.
- (2) As advised by the Company, about 85% of the resettlement arrangement has been completed.
- (3) Pursuant to Contract for Grant of Land Use Rights entered between Beijing Land Administration Bureau and Beijing Kai Li Te Li Real Estate Development Company Limited. (北京凱利特利房地產開發有限公司) dated 28 April 2006, the Condition of land use in respect of the property contains, inter alia the following conditions with details as follows:
  - (i) Site area : 8,214.3 square metres (88,419 square feet)
  - (ii) Gross floor area : 75,844 square metres (816,385 square feet)
  - (iii) Plot ratio : 7.2
  - (iv) Uses : Composite uses
  - (v) Land use term : 50 years
  - (vi) Land premium : RMB 179,765,192
- (4) Pursuant to Planning Permit for Construction Use of Land No. 2000-Gui Di Zi-0164, the land use rights of the property has been granted to Beijing Kai Li Te Li Real Estate Development Company Limited with details as follows:
  - (i) Site area : 8,214.3 square metres (88,419 square feet)
  - (ii) Uses : Office, apartment, entertainment, uses
- (5) Pursuant to Business Licence No. 009907, Beijing Kai Li Te Li Real Estate Development Company Limited was established with a registered capital of US\$12,000,000 for a valid period from 13 March 1995 to 12 March 2045. Beijing Kai Li Te Li Real Estate Development Company Limited is a wholly-owned subsidiary of the Company.
- (6) Pursuant to an Agreement entered between Beijing Kai Li Te Li Real Estate Development Company Limited (Party A) and Emperor (Beijing) Real Estate Development Company Limited (英皇 (北京) 房地產開發有限公司) (Party B) dated 16 June 2006 ("Transfer Agreement"), the property was transferred to Party B at RMB380,000,000.

- (7) Pursuant to the Transfer of Title Registration Form Jing Di Zhuan Zi 2006 No.0055, the transfer of the State-owned Land Use Right has been approved by and registered in Beijing Land Resources Bureau.
- (8) Pursuant to the Business Licence Qi Du Jing Zong Zi No.028711, Emperor (Beijing) Real Estate Development Company Limited was established with a registered capital of HK\$760,000,000 for an operation period commencing from 28 April 2006 to 27 April 2056 for real estate development and property management business. Emperor (Beijing) Real Estate Development Company Limited is a wholly-owned subsidiary of the Company.
- (9) The status of the title and grant of major approvals and licences in accordance with the legal opinion and the information provided by the Group are as follows:
- |  |     |
|--|-----|
| Use of State-owned Land Use Rights Certificate | Yes |
| Contract for Grant of Land Use Rights          | Yes |
| Planning Permit for Construction Use of Land   | Yes |
| Business Licence                               | Yes |
- (10) We have been provided with a copy of legal opinion on the title of the property prepared by the Group's legal adviser, which contains, inter alia, the following:–
- i. The Property is not subject to any liabilities, mortgages, liens or any other material encumbrances; and
  - ii. Pursuant to the State-owned Land Use Rights Certificate, Emperor (Beijing) Real Estate Development Company Limited (英皇 (北京) 房地產開發有限公司) has legally held the land use rights of the property with a site area of 8,214.51 sq.m and Emperor (Beijing) Real Estate Development Company Limited (英皇 (北京) 房地產開發有限公司) can legally commence construction work, pre-sell, transfer, lease and mortgage the property upon relevant application and approval.
- (11) The property has no immediate development potential as resettlement arrangement has not yet completed.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
60.	Nos.26-30 Beach Road Hong Kong The Remaining Portion of Rural Building Lot No.368	<p>The property comprises an elongated site with a registered site area of 45,532 square feet (4,230 square metres) or thereabouts and a commercial building being erected thereon.</p> <p>The commercial building is expected to be completed in 2011. Upon completion, the property will comprise a 6-storey commercial building with car parking spaces on Basement 3, machine rooms on Basement 2, shops and changing room on Basement 1, shops and restaurants on Lower Ground Floor, Upper Ground Floor and 1st Floor. The planned total gross floor area of the property is approximately 153,480 square feet (14,258.61 square metres).</p> <p>Rural Building Lot No.368 is held under Conditions of Exchange No.3381 for a term of 75 years commencing from 12 January 1922 renewable for a further term of 75 years.</p>	The super-structure work of the property is completed up to the roof level.	HK\$606,000,000  (see Note 3)

*Notes:*

- (1) The registered owner of the property is Gold Shine Investment Limited, via two assignments dated 18 February 1994 and 30 November 2000, registered vide Memorial Nos.UB5960410 and UB8269553 respectively. Gold Shine Investment Limited is a subsidiary of the Company in which the Group has 97.62% interest.
- (2) There are no material encumbrances registered against the property.
- (3) As advised by the Company, the property is subject to a legal proceeding with the government in relation to the interpretation of the government lease, which has implication on whether substantial amount of land premium in respect of the property is payable to the government. However, the hearing and judgment from Court of Appeal is awaiting and unlikely available until the year 2011. In this connection, the above Market Value of the property indicates only the sum of total purchase price of the property which is in the sum of HK\$286,800,000, stamp duty, legal fee and total development costs incurred up to the date of valuation.
- (4) As advised by the Company, the total development costs incurred up to the date of valuation is approximately HK\$272,500,000 and the outstanding development costs is approximately HK\$17,700,000.
- (5) The estimated capital value of the property as if completed as at 24 November 2010 and on the assumption that the aforesaid land premium has been fully paid would be HK\$1,200,000,000.
- (6) The property falls within an area zoned "Other Specified Uses (Beach related Leisure Use)" under Shouson Hill & Repulse Bay Outline Zoning Plan No.S/H17/11 dated 6 October 2009.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing State as at 24 November 2010
61.	The Java Nos.96-106 Java Road Hong Kong  The Remaining Portion of Sub-section 7 of Section A of Inland Lot No.3539, Sub-sections 1, 2 and 3 of Section B of Inland Lot No.3539 and the Remaining Portion of Section B of Inland Lot No.3539	The property comprises a rectangular shaped site with a registered site area of 7,125 square feet (661.93 square metres) or thereabouts and a developable site area of 6,818 square feet (633.41 square metres) or thereabouts. It is expected to be completed in 2012.  Approval from Buildings Department has been obtained for a 33-storey composite building including a 4-storey podium with shops on Ground Floor, car parking spaces on 1st Floor, recreational facilities/club house on 3rd Floor and 5th Floor, with a total non-domestic gross floor area of 3,722 square feet (345.761 square metres) or thereabouts and a total domestic gross floor area of 53,506 square feet (4,970.783 square metres) or thereabouts.  Inland Lot No.3539 is held under Government Lease for a term of 75 years commencing from 12 June 1933 renewable for a further term of 75 years.	The property is a construction site and super-structure work was in progress as at 24 November 2010.	HK\$530,000,000

*Notes:*

- (1) The registered owner of the property is Emperor Hotel Limited, via six assignments dated 15 March 2006, 16 May 2006, 7 June 2006, 28 November 2008 and 29 December 2008, registered vide Memorial Nos. 06041301670393, 06041301670425, 06060800940132, 06062302030234, 08121602000033 and 09011600800055. Emperor Hotel Ltd is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a debenture and mortgage in favour of The Bank of East Asia, Limited registered vide Memorial No.09082602670204 dated 3 August 2009 and a supplement to debenture and mortgage in favour of The Bank of East Asia, Limited registered vide Memorial No.10022603480701 dated 28 January 2010.
- (3) The property is further subject to a release of debenture and mortgage registered vide Memorial No.10121402970335 dated 2 December 2010
- (4) For domestic units on 6/F to 36/F (with 4/F, 13/F, 14/F, 24/F, 34/F omitted), 67 units were contracted to be disposed of to various purchasers at a total consideration of HK\$680,963,680. Eight units which accounts for about 14% of the total domestic gross floor area were unsold as at 24 November 2010.
- (5) As advised by the Company, the construction cost incurred up to the date of valuation approximately is HK\$41,100,000 and the outstanding construction cost is approximately HK\$164,100,000.
- (6) The estimated capital value of the property as if completed as at 24 November 2010 would be HK\$860,000,000.
- (7) The property falls within a "Commercial/Residential" zone under North Point Outline Zoning Plan of plan No.S/H8/23 dated 19 March 2010.

	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market Value in existing State as at 24 November 2010</b>
62.	<p>Harbour One 458 Des Voeux Road West Hong Kong</p> <p>The Remaining Portion of Sub-section 1 of Section G of Marine Lot No. 126, Sub-Section 1 of Section A of Marine Lot No. 126, The Remaining Portion of Sub-section 2 of Section B of Marine Lot No. 126, Section C of Sub-section 2 of Section B of Marine Lot No. 126, Section B of Sub-Section 2 of Section B of Marine Lot No. 126, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 126, Section B of Sub-section 1 of Section B of Marine Lot No. 126, Section A of Sub-section 2 of Section B of Marine Lot No. 126, The Remaining Portion of Section C of Marine Lot No. 126, The Remaining Portion of Sub-section 1 of Section C of Marine Lot No. 126, Sub-section 2 of Section C of Marine Lot No. 126, Section A of Sub-section 1 of Section B of Marine Lot No. 126, Section A of Sub-section 1 of section C of Marine Lot No. 126, The Remaining Portion of Section D of Marine Lot No. 126, The Remaining Portion of Sub-section 1 of Section D of Marine Lot No. 126, Sub-section 2 of Section D of Marine Lot No. 126.</p>	<p>The property comprises an irregular shaped site with a registered site area of 14,146 square feet (1,314.175 square metres) or thereabouts.</p> <p>Approval from Buildings Department has been obtained for a 38-storey residential building with car parking spaces on 1st to 6th Floor, recreational facilities/ club house on 8th Floor, with a total domestic gross floor area of 113,165 square feet (10,513.3 square metres) or thereabouts. It is expected to be completed in 2012.</p> <p>Marine Lot No.126 is held under a Government Lease for a term of 999 years commencing from 24 December 1865.</p>	<p>The property is a construction site and super-structure work was in progress as at 24 November 2010.</p>	<p>HK\$1,300,000,000</p>

*Notes:*

- (1) The registered owner of the property is Arch-Concept Limited, via 23 assignments dated 19 March 2007, 3 April 2007, 6 May 2008, 10 July 2008, 5 December 2008, 30 April 2009 and 31 July 2009, registered vide Memorial Nos. 07041701980126, 07042801440037, 08052202320088, 08052601740119, 08052702720073, 08052702720082, 08052702720102, 08052702720116, 08060201780103, 08060401790017, 08060401790021, 08060401790039, 08060401790046, 08060401790050, 08060401790064, 08060401790072, 08060401790087, 08080101970072, 08122301530060, 08122301530083, 08122301530108, 09052702170143 and 09091002040151 respectively.
- (2) Arch-Concept Limited is a wholly-owned subsidiary of the Company.
- (3) The property is subject to a debenture and a legal charge/mortgage, both in favour of The Bank of East Asia, Limited dated 14 May 2007 and 27 August 2007, registered vide Memorial Nos. 07061202060073 and 07092001860011 respectively.
- (4) The property is subject to a supplement to security documents in favour of The Bank of East Asia, Limited dated 23 October 2008, registered vide Memorial No.08111902380012.
- (5) The property is subject to a deed of variation and a second supplement to security documents, both in favour of The Bank of East Asia, Limited dated 5 December 2008, registered vide Memorial Nos. 08122301530117 and 08122301530125 respectively.
- (6) The property is subject to a third supplement to security documents and a second deed of variation, both in favour of The Bank of East Asia, Limited dated 24 December 2009, registered vide Memorial Nos.10012202970535 and 10012202970556 respectively.
- (7) For domestic units on 9/F to 42/F (with 13/F, 14/F, 24/F, 34/F omitted and Refuge Floor on 32/F), 57 units were contracted to be disposed of at a total consideration of HK\$985,641,400. There are 46 units remained unsold as at 24 November 2010 which accounts for about 49% of the total domestic gross floor area.
- (8) As advised by the Company, the construction cost incurred up to the date of valuation is about HK\$22,300,000 and the outstanding construction cost is approximately HK\$324,200,000.
- (9) The estimated capital value of the property as if completed as at 24 November 2010 would be HK\$2,008,000,000.
- (10) The property falls within a "Residential (Group A)" zone under Kennedy Town & Mount Davis Outline Zoning Plan of plan No.S/H1/17 dated 26 March 2010.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
63.	Nos.18-36 Shing On Street Hong Kong  Shaukiwan Inland Lot No.462, The Remaining Portion of Shaukiwan Inland Lot No.461, The Remaining Portion of Shaukiwan Inland Lot No.460, Shaukiwan Inland Lot No. 459, The Remaining Portion of Shaukiwan Inland Lot No.483, The Remaining Portion of Shaukiwan Inland Lot No.499, The Remaining Portion of Section A and The Remaining Portion of Shaukiwan Inland Lot No.539, The Remaining Portion of Shaukiwan Inland Lot No.540, The Remaining Portion of Shaukiwan Inland Lot No.541.	The property comprises a rectangular shaped site with a registered site area of 7,324 square feet (680.4 square metres) and a developable site area of 7,264 square feet (674.8 square metres) or thereabouts.  Approval from Buildings Department has been obtained for a 34-storey commercial/residential composite building including a commercial podium on G/F to 1/F and club house on 2/F, with a total non-domestic gross floor area of 10,501 square feet (975.54 square metres) or thereabouts and a total domestic gross floor area of 59,006 square feet (5,481.75 square metres) or thereabouts. It is expected to be completed in 2013.  Shaukiwan Inland Lot Nos.459, 460, 461 and 462 are held under 4 Government Leases for a common term of 75 years commencing from 15 January 1921 renewable for a further term of 75 years. Shaukiwan Inland Lot No.483 is held under Government Lease for a term of 75 years commencing from 10 November 1921 renewable for a further term of 75 years. Shaukiwan Inland Lot Nos. 499, 539, 540 and 541 are held under 4 Government Leases for a common term of 75 years commencing from 30 July 1923 renewable for a further term of 75 years.	The property is a construction site and foundation work was in progress as at 24 November 2010.	HK\$330,000,000

*Notes:*

- (1) The registered owner of Nos.18-28 Shing On Street of the property is Eastgate Investments Limited, via four assignments dated 15 June 2007 and 31 August 2007, registered vide Memorial Nos.07072001320123, 07072001320131, 07100400780036 and 07100400780026. The registered owner of Nos.30-36 Shing On Street of the property is Eastgate Investments Limited, via three assignments dated 20 June 2007, 9 February 2010 and 4 May 2010, registered vide Memorial Nos. 07072600590192, 10022501060050 and 10052601730028 respectively. Eastgate Investments Limited is a wholly-owned subsidiary of the Company.

- (2) Nos.18-28 Shing On Street is subject to a Mortgage and Debenture in favour of The Bank of East Asia, Limited dated 26 June 2009, registered vide Memorial No. 09071701090026. Nos.30-36 Shing On Street is subject to a Legal Charge in favour of The Bank of East Asia, Limited dated 2 July 2010, registered vide Memorial No. 10072701330060.
- (3) Nos.18-28 Shing On Street is subject to an Offensive Trade Licence dated 3 June 2008 from District Lands Officer, Hong Kong East, registered vide Memorial No.08062301890122.
- (4) As advised by the Company, the construction cost incurred up to the date of valuation is HK\$9,600,000 and the outstanding construction cost is approximately HK\$158,200,000.
- (5) The estimated capital value of the property as if completed as at 24 November 2010 would be HK\$630,000,000.
- (6) The property falls within an area zoned "Residential (Group A)3" under Shau Kei Wan Outline Zoning Plan No.S/H9/16 dated 18 December 2009.



	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
64.	Section A of Lot No.590 and Lot No. 885 in Demarcation District No.23 Tai Po New Territories	<p>The property comprise two separate pieces of agricultural land with a total registered site area of 28,314 square feet (2,630.4 square metres) or thereabouts.</p> <p>The property is situated off the north-western side of Ting Kok Road, near Po Sam Pai.</p> <p>Lot Nos.590 and 885 in Demarcation District No.23 are both held under Block Government Lease of D.D.23 for a term of 75 years from 1 July 1898, renewable for 24 years less the last 3 days thereof and thereafter extended for a term expiring on 30 June 2047.</p>	The property is vacant.	HK\$1,870,000

*Notes:*

- (1) The registered owner of the property is Crown Source Development Limited via an assignment dated 6 October 1997, registered vide Memorial No.TP550391. Crown Source Development Limited is a wholly-owned subsidiary of the Company. There are no material encumbrances registered against the property.
- (2) The property falls within an "Agriculture" zone under Ting Kok Outline Zoning Plan of plan No.S/NE-TK/16 dated 19 February 2010.
- (3) The property has no immediate development potential as it is an agricultural lot rather than a building lot.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
65. Section C of Lot No.299, The Remaining Portion of Lot No. 299, Lot Nos.302, 303, 304, Section A of Lot No.305, Section A of Lot No.306, Section A of Lot No.307, Lot No. 308, Sections C, D, E and The Remaining Portion of Lot No. 309, Lot No. 342, Sub-section 1 of Section A of Lot No. 343, Lot Nos. 372, 373, 374, 375, 376, 377, 378, 379, 380, 381 and 382 in Demarcation District 210 Sai Kung New Territories	<p>The property comprises 26 contiguous agricultural lots or lot-sections with a registered site area of about 70,643 square feet (6,562.9 square metres).</p> <p>The periphery of the property is fenced by wire netting and metal sheets. The eastern portion of the property is a paved bare site while the western portion is basically in the form of waste plots.</p> <p>Lot No.309 RP, portion of Lot Nos.308 and 342 are utilized as an access road.</p> <p>The property is held under Block Government Lease of Demarcation District No.210 for a term of 75 years commencing from 1 July 1898 renewable for a further term of 24 years less the last three days thereof and has been extended upto 30 June 2047 under Section 6 of the New Territories Leases (Extension) Ordinance.</p>	The property is vacant.	HK\$38,200,000

*Notes:*

- (1) The registered owner of the property is Webster Investments Company Limited, via an assignment dated 27 July 2004, registered vide Memorial No.SK611883. Webster Investments Company Limited is a wholly-owned subsidiary of the Company. There are no material encumbrances registered against the property.
- (2) Lot Nos.302, 306 s.A and 379 are subject to a Sealed Copy Order in favour of Webster Investments Company Limited (Applicant) and Diamond Faith Company Limited (Applicant) (Remarks: In H.C.M.P. No.1943 of 2007) vide Memorial No.08010802360122 dated 8 November 2007.
- (3) Lot No.304 is subject to a Sealed Copy Order in favour of Diamond Faith Company Limited (Applicant) and Webster Investments Company Limited (Applicant) (Remarks: In H.C.M.P. No.1942 of 2007) vide Memorial No.08010802360113 dated 8 November 2007.
- (4) The eastern and western portion of the property respectively falls within a "Residential (Group E)" zone and a "Residential (Group D)" zone under Ho Chung Outline Zoning Plan of plan No.S/SK-HC/9 dated 10 November 2006. The development density of a "Residential (Group D)" and "Residential (Group E)" zone is restricted to a plot ratio of 0.2 and 0.4 respectively.
- (5) A change of use of the property from the existing agricultural lots into a building lot may be feasible subject to the approval from the Lands Department for the land exchange and the payment of land premium.
- (6) The property has no immediate development potential as it is agricultural lots rather than building lots.

			Market Value in existing state as at 24 November 2010	
Property	Description and tenure	Particulars of occupancy		
66.	<p>Lot No.300, The Remaining Portion of Lot No.305, The Remaining Portion of Lot No.306, The Remaining Portion of Lot No.307, Section A and The Remaining Portion of Sub-section 2 of Section A of Lot No.343, Lot Nos. 344, 345, 346 and 347, Sections B, C and The Remaining Portion of Lot No.349 and Sub-sections 1, 2 and The Remaining Portion of Section A of Lot No.353 in Demarcation District 210 Sai Kung New Territories</p>	<p>The property comprises 16 agricultural lots or lot-sections with a registered site area of about 24,728 square feet (2,297.3 square metres).</p> <p>The property is currently fenced by wire netting and metal sheets.</p> <p>The property is held under Block Government Lease of Demarcation District No.210 for a term of 75 years commencing from 1 July 1898 renewable for a further term of 24 years less the last three days thereof and has been extended upto 30 June 2047 under Section 6 of the New Territories Leases (Extension) Ordinance.</p>	The property is vacant.	HK\$17,600,000

*Notes:*

- (1) The registered owner of the property is Diamond Faith Company Limited formerly known as Megaworld Investments Limited, via an assignment dated 14 September 2006, registered vide Memorial No.06100501940456. There are no material encumbrances registered against the property.
- (2) Lot No.300 is subject to a Sealed Copy Order in favour of Diamond Faith Company Limited (Applicant) and Webster Investments Company Limited (Applicant) (Remarks: In H.C.M.P. No.1942 of 2007) vide Memorial No.08010802360113 dated 8 November 2007.
- (3) Lot Nos.306 RP and 347 are subject to a Sealed Copy Order in favour of Webster Investments Company Limited (Applicant) and Diamond Faith Company Limited (Applicant) (Remarks: In H.C.M.P. No.1943 of 2007) vide Memorial No.08010802360122 dated 8 November 2007.
- (4) About 90% of the property falls within a "Residential (Group E)" zone within Ho Chung Outline Zoning Plan of plan No.S/SK-HC/9 dated 10 November 2006. The development density of a "Residential (Group E)" zone is restricted to a plot ratio of 0.4.
- (5) A change of use of the property from the existing agricultural lots into a building lot may be feasible subject to the approval from the Lands Department for the land exchange and the payment of land premium.
- (6) The property has no immediate development potential as it is agricultural lots rather than building lots.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
67.	2/9th share of The Remaining Portion of Lot No.288 in Demarcation District 210 Sai Kung New Territories	<p>The property comprises an agricultural lot-section with a registered site area of about 1,277 square feet (118.6 square metres).</p> <p>The property together with adjacent agricultural lots or government land is currently fenced by wire netting and metal sheets.</p> <p>The property is held under Block Government Lease of Demarcation District No.210 for a term of 75 years commencing from 1 July 1898 renewable for a further term of 24 years less the last three days thereof and has been extend upto 30 June 2047 under Section 6 of the New Territories Leases (Extension) Ordinance.</p>	The property is vacant.	HK\$100,000

*Notes:*

- (1) The registered owner of the property (2/9th share of Lot 288 RP in D.D.210) is Point Ocean Investment Limited, via two assignments dated 22 April 2010 and 27 September 2010, registered vide Memorial No.10051101170033 and 10102701080056. There are no material encumbrances registered against the property. Point Ocean Investment Limited is a wholly owned subsidiary of the Company.
- (2) The property falls within a “Residential (Group E)” zone within Ho Chung Outline Zoning Plan of plan No.S/SK-HC/9 dated 10 November 2006. The development density of a “Residential (Group E)” zone is restricted to a plot ratio of 0.4.
- (3) The property has no immediate development potential as it is an agricultural lot rather than a building lot.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 24 November 2010
68.	Nos.396-400 Prince Edward Road West Kowloon  The Remaining Portion of New Kowloon Inland Lot Nos.1119 and 1424	The property comprises a trapezoidal shaped site with a registered site area of 3,649.8 square feet (339.1 square metres) or thereabouts and a developable site area of 3,320 square feet (308.4 square metres) or thereabouts.  Approval from Buildings Department has been obtained for a 25-storey commercial/residential composite building with shops on Ground Floor and 1st Floor and recreational facilities/club house on 2nd Floor with a total gross floor area of 29,853 square feet (2,773.3 square metres) or thereabouts. It is expected to be completed in 2012.  New Kowloon Inland Lot Nos.1119 and 1424 are held under Government Leases for a term of 75 years renewable for 24 years commencing from 1 July 1898 and thereafter extended to 30 June 2047.	The property is a construction site and super-structure work was in progress as at 24 November 2010.	HK\$150,000,000

*Notes:*

- (1) The registered owner of the property is Union Reward International Limited via two assignments dated 29 February 2008 and 31 March 2010, registered vide Memorial Nos.08032002620135 and 10042301850027 respectively. Union Reward International Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a debenture in favour of Wing Hang Bank, Limited both dated 31 March 2010, registered vide Memorial No.10042301850035.
- (3) As advised by the Company, the construction cost incurred up to the date of valuation is about HK\$3,500,000 and the outstanding construction cost is approximately HK\$73,900,000.
- (4) The estimated capital value of the property as if completed as at 24 November 2010 would be HK\$263,000,000.
- (5) The property falls within an area zoned "Residential (Group A)2" under Ma Tau Kok Outline Zoning Plan No.S/K10/20 dated 14 November 2008.

			Market Value in existing state as at 24 November 2010	
Property	Description and tenure	Particulars of occupancy		
69.	<p>Godown Units A &amp; C including the lavatories on Ground Floor, Godown Units B &amp; D on Ground Floor, Factory Units A and B on 1st, 3rd, 5th, 7th to 15th, 17th to 20th Floor, Factory Units A on 2nd Floor, Factory Units A and B and Portion of Flat Roofs on 4th Floor, Factory Unit B on 6th Floor, Factory Unit A on 16th Floor and Portions A and B of Main Roof</p> <p>Cheung Ka Industrial Building 179-180 Connaught Road West 345-345A Des Voeux Road West Hong Kong</p> <p>352/380th shares of and in Marine Lot No.434</p>	<p>The property comprises two godown units on Ground Floor, thirty-seven factory units on various upper floors and two roof portions of a 21-storey industrial building completed in 1972.</p> <p>The property is erected on a site with site area of 18,267 square feet (1,697 square metres) or thereabouts.</p> <p>The property has a total gross floor area of 231,908 square feet (21,544.8 square metres) or thereabouts.</p> <p>Marine Lot No.434 is held under a Government Lease for a term of 999 years commencing from 23 December 1896.</p>	<p>The property is subject to various tenancies and licences with the latest expiry date on 12 November 2011 at a total rental of \$465,500 per month.</p>	<p>HK\$1,522,000,000</p>

*Notes:*

- (1) The registered owner of the property is Superb Quo Limited, via thirty-seven assignments dated 20 January 2010, 29 January 2010, 5 February 2010 and 3 March 2010. Superb Quo Limited is a wholly-owned subsidiary of the Company.
- (2) The property is subject to four Mortgages in favour of Hang Seng Bank Limited dated 5 Feb 2010, 3 March 2010, 3 March 2010 and 3 March 2010 registered vide Memorial Nos. 10030402090455, 10032902630433, 10032902630470 and 10032902630519 respectively.
- (3) As at the date of valuation, Superb Quo Limited is the majority owner of the subject building (with approximately 92.6% shares) and only three units, namely Factory Unit B on 2nd Floor and 16th Floor and Factory Unit A on 6th Floor have not been acquired. In the course of our valuation, we have valued the property (without the said 3 units and representing 92.6% of the ownership in terms of undivided shares) based on the apportioned share of the Market Value of the whole lot in accordance with their existing use values. In arriving at our opinion, appropriate adjustments have been made to allow for the time taken to acquire the outstanding units and its effect on the development programme.
- (4) The property falls within an area zoned "Commercial/Residential" under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/23 which was exhibited on 5 February 2010.
- (5) The property has no immediate development potential as the acquisition of all property interests within Cheung Ka Industrial Building has not been completed.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purposes of giving information with regard to the Offer, the Offeror and EIHL Group. The directors of the Offeror and EIHL jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL AND SHARE OPTIONS

As at the Latest Practicable Date, the authorised and issued share capital of EIHL were as follows:

*HK\$'000*

*Authorised:*

<u>500,000,000,000</u> ordinary shares	<u>5,000,000</u>
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*Issued and fully paid or credited as fully paid:*

<u>2,968,310,840</u> ordinary shares	<u>29,683</u>
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The authorised and the issued and fully paid up share capital of EIHL upon the issue of the Consideration Shares, the Offer (assuming all public EEH Shareholders accept the Offer), the EEH Distribution and the EIHL Distribution will be as follows:

*HK\$'000*

*Authorised:*

<u>500,000,000,000</u> ordinary shares	<u>5,000,000</u>
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*Issued and fully paid or credited as fully paid:*

2,968,310,840 ordinary shares	29,683
452,391,094 Consideration Shares	4,524
549,318,168 maximum number of EIHL Shares to be issued under the Offer	5,493
42,327,379 bonus EIHL Shares to be issued under the EIHL Distribution	423
<u>4,012,347,481</u>	<u>40,123</u>

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 the Latest Practicable Date
Mr. Wong Chi Fai	11 August 2005	11 August 2005 – 10 August 2015	HK\$1.88	10,000,000
	28 January 2008	28 January 2008 – 27 January 2013	HK\$2.91	5,000,000
Ms. Fan Man Seung, Vanessa	11 August 2005	11 August 2005 – 10 August 2015	HK\$1.88	10,000,000
	28 January 2008	28 January 2008 – 27 January 2013	HK\$2.91	5,000,000
Mr. Cheung Ping Keung	28 January 2008	28 January 2008 – 27 January 2013	HK\$2.91	5,000,000
Ms. Mok Fung Lin, Ivy	28 January 2008	28 January 2008 – 27 January 2013	HK\$2.91	2,500,000

Since 31 March 2010, being the date for the latest audited financial information, up to the Latest Practicable Date, no options was granted, lapsed, exercised or cancelled under EIHL's share option scheme adopted on 9 September 2003.

No EIHL Share has been issued or repurchased since 31 March 2010, being the date for the latest audited financial information, up to the Latest Practicable Date. There was no re-organisation of the share capital of EIHL during the two financial years preceding the commencement of the Offer period, i.e. 3 December 2010.

Save for the outstanding options as disclosed under the "Disclosure of Interests" below, as at the Latest Practicable Date, there are no outstanding options, warrants and conversion rights affecting shares in EIHL.

All EIHL Shares currently in issue rank pari passu in all respects with each others, including rights and entitlements as to dividends, voting rights and return of capital.



### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions of the EIHL Directors or chief executive of EIHL in the shares, underlying shares and debentures of EIHL or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to EIHL 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) to be entered in the register pursuant to Section 352 of the SFO; or (c) to be notified to EIHL and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"), were as follows:

#### Long position interests in EIHL

##### (i) Ordinary shares of HK\$0.01 each of EIHL

Name of director	Capacity/Nature of interests	Number of issued ordinary share(s) held	Approximate percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note 1)	Family	2,126,847,364	71.65%

##### (ii) Share options

Name of director	Capacity/Nature of interests	Number of underlying shares	Approximate percentage holding
Mr. Wong Chi Fai (Note 2)	Beneficial owner	15,000,000	0.51%
Ms. Fan Man Seung, Vanessa (Note 2)	Beneficial owner	15,000,000	0.51%
Mr. Cheung Ping Keung (Note 2)	Beneficial owner	5,000,000	0.17%
Ms. Mok Fung Lin, Ivy (Note 2)	Beneficial owner	2,500,000	0.08%

*Notes:*

1. The shares were held by Charron which was wholly-owned by Million Way Holdings Limited (“Million Way”) which was in-turn wholly-owned by STC International Limited (“STC International”), the trustee of the AY Trust. Dr. Yeung Sau Shing, Albert (“Dr. Albert Yeung”), as founder of the AY Trust, was deemed to be interested in the said shares. By virtue of being the spouse of Dr. Albert Yeung, Mr. Semon Luk was also deemed to be interested in the same shares.
2. The share options were granted to the relevant EIHL Directors under the share option scheme of EIHL.

**Long position interests in associated corporations***Ordinary shares*

Name of director	Name of associated corporation	Capacity	Number of issued ordinary share(s) held	Percentage of the issued share capital
Ms. Semon Luk	Charron ( <i>Note 1</i> )	Family	1	100%
Ms. Semon Luk	Million Way ( <i>Note 1</i> )	Family	1	100%
Ms. Semon Luk	Eternally Smart Limited ( <i>Note 1</i> )	Family	1	100%
Ms. Semon Luk	Velba Limited (“Velba”) ( <i>Note 2</i> )	Family	1	100%
Ms. Semon Luk	New Media Group Holdings Limited (“NMG”) ( <i>Note 2</i> )	Family	450,000,000	62.50%
Ms. Semon Luk	Allmighty Group Limited (“Allmighty Group”) ( <i>Note 3</i> )	Family	100	100%
Ms. Semon Luk	Emperor Watch & Jewellery Limited (“EWJ”) ( <i>Note 3</i> )	Family	3,510,770,000	62.04%

*Share options*

Name of director	Name of associated corporation	Capacity	Number of underlying share(s)	Percentage of the issued share capital
Mr. Wong Chi Fai	EEH ( <i>Note 4</i> )	Beneficial owner	5,000,000	0.39%
Ms. Fan Man Seung, Vanessa	EEH ( <i>Note 4</i> )	Beneficial owner	5,000,000	0.39%

*Notes:*

1. Charron was the holding company of Eternally Smart Limited. The entire issued share capital of Charron was held by Million Way which was in turn wholly-owned by STC International, the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the share capital of Charron, Million Way and Eternally Smart Limited. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk, a director of EIHL, was also deemed to be interested in the same shares.
2. NMG is a company with its shares listed in Hong Kong; 450,000,000 shares of NMG were held by Velba. The entire issued share capital of Velba was held by Million Way which was in turn wholly-owned by STC International, being the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the share capital of Velba and the said shares in NMG held by Velba. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.
3. EWJ is a company with its shares listed in Hong Kong; 3,510,770,000 shares of EWJ were held by Allmighty Group. The entire issued share capital of Allmighty Group was held by Million Way which was in turn wholly-owned by STC International, being the trustee of the AY Trust. Dr. Albert Yeung, as the founder of the AY Trust, was deemed to be interested in the share capital of Allmighty Group and the said shares in EWJ held by Allmighty Group. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.
4. These were share options granted to the relevant directors of EEH under the share option scheme of EEH.

Save as disclosed above, as at the Latest Practicable Date, none of the EIHL Directors or chief executive of EIHL had any interests or short positions in the shares, underlying shares and debentures of EIHL or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to EIHL 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) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code to be notified to EIHL and the Stock Exchange.

**(b) Other Persons' Interests or Short Positions**

As at the Latest Practicable Date, so far as is known to any EIHL Director or chief executive of EIHL, the following persons (other than a EIHL Director or chief executive of EIHL) had interests or short positions in the shares or underlying shares of EIHL which would fall to be disclosed to EIHL and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of EIHL or had any option in respect of such capital:

*Long position in ordinary shares of HK\$0.01 each of EIHL*

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate percentage holding
Charron ( <i>Note</i> )	Beneficial owner	2,126,847,364	71.65%
Million Way ( <i>Note</i> )	Interest in a controlled corporation	2,126,847,364	71.65%
STC International ( <i>Note</i> )	Trustee of the AY Trust	2,126,847,364	71.65%
Dr. Albert Yeung ( <i>Note</i> )	Founder of the AY Trust	2,126,847,364	71.65%
Penta Investment Advisers Limited	Investment manager	235,568,890	7.94%

*Note:* The entire issued share capital of Charron was held by Million Way which was wholly-owned by STC International, the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the said shares held by Charron. The said shares were the same shares as those set out under section 3(a)(i) of “Disclosure of Interests” above.

#### 4. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (a) Save as the Offeror’s interest in 743,227,815 EEH Shares, the Offeror does not have any interest in EEH Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EEH Shares;
- (b) Mr. Wong Chi Fai and Ms. Mok Fung Lin, Ivy are the directors of the Offeror. Mr. Wong and Ms. Mok each holds 15,000,000 and 2,500,000 share options of EIHL respectively and Mr. Wong also holds 5,000,000 share option of EEH. Save as disclosed, none of the directors of the Offeror have any interest in EIHL Shares, EEH Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EIHL Shares or EEH Shares;
- (c) Mr. Wong Chi Fai, Ms. Fan Man Seung, Vanessa, Mr. Cheung Ping Keung and Ms. Mok Fung Lin, Ivy (each of them an EIHL Director) respectively holds 15,000,000, 15,000,000, 5,000,000 and 2,500,000 share options of EIHL. Charron is interested in 2,126,847,364 EIHL Shares. The entire issued share capital of Charron was held by Million Way which in turn wholly-owned by STC International, the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to have an interest in the share capital of Charron and Ms. Semon Luk being the spouse of Dr. Albert Yeung, was also deemed to have an interest in the same EIHL Shares. Save for the above, none of the Concert Parties and the EIHL Directors owned or controlled any shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares of EIHL and the Offeror;

- (d) Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa each holds 5,000,000 and 5,000,000 share options of EEH. Worthly Strong, an indirect wholly-owned subsidiary of EIHL holds 743,227,815 EEH Shares. Charron was the controlling shareholder of EIHL. The entire issued share capital of Charron was held by Million Way which was in turn wholly-owned by STC International being the trustee of the AY Trust, a discretionary trust set up by Dr. Albert Yeung. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in EEH Shares held by Worthly Strong. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same EEH Shares. Save for disclosed above, none of the Concert Parties and the EIHL Directors owned or controlled any EEH Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares of EEH;
- (e) no person has irrevocably committed himself or herself to accept or reject the Offer;
- (f) none of EIHL, the Offeror or any of the Concert Parties had borrowed or lent any shares, convertible securities, warrants, options or derivatives of EIHL, the Offeror and/or EEH;
- (g) each of the Offeror or its Concert Parties, has not entered into any agreement, arrangement or understanding pursuant to which any securities to be acquired by the Offeror in pursuance of the Offer will be transferred, charged or pledged to any other persons;
- (h) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between EIHL, the Offeror or any of the Concert Parties, and any other person; and
- (i) no shareholding in EIHL or the Offeror was owned by non-exempt discretionary fund managers and principal traders connected with the Offeror.

During the Relevant Period:

- (a) Save as (i) the acquisition of the EIHL Shares by Charron from time to time as disclosed below; and (ii) the non-discretionary dealings in the EIHL Shares and the EEH Shares for and on behalf of its individual clients by Emperor Securities Limited (which is presumed to be acting in concert with the Offeror for the purpose of the Offer pursuant to the Takeovers Code as Emperor Securities Limited is a fellow subsidiary of Emperor Capital), none of EIHL, the Offeror and the Concert Parties (including the directors of the Offeror and EIHL Directors) have dealt for value in any EEH Shares, EIHL Shares, convertible securities, options derivatives and conversion rights or other similar rights which are convertible exchangeable into the EEH Shares or the EIHL Shares;

Party	Date of dealing	Number of EIHL Shares acquired/ (disposed of)	Average Price per EIHL Share (HK\$)
Charron	30 June 2010	3,034,000	1.697
	30 June 2010	20,000,000	1.67
	2 July 2010	1,400,000	1.726
	5 July 2010	1,100,000	1.699
	6 July 2010	1,100,000	1.699
	7 July 2010	1,132,000	1.695
	8 July 2010	800,000	1.69
	9 July 2010	1,030,000	1.676
	12 July 2010	900,000	1.68
	13 July 2010	500,000	1.67
	14 July 2010	600,000	1.67
	15 July 2010	850,000	1.633
	16 July 2010	358,000	1.624
	19 July 2010	1,600,000	1.67
	20 July 2010	800,000	1.655
	21 July 2010	1,300,000	1.641
	22 July 2010	1,250,000	1.647
	23 July 2010	100,000	1.64
	26 July 2010	1,000,000	1.68
	27 July 2010	1,000,000	1.7
	28 July 2010	1,100,000	1.71
	29 July 2010	752,000	1.779
	30 July 2010	700,000	1.82
	2 August 2010	1,000,000	1.854
	3 August 2010	1,100,000	1.86
	4 August 2010	1,000,000	1.87
	5 August 2010	996,000	1.873
	6 August 2010	1,062,000	1.83
	9 August 2010	1,000,000	1.85
	10 August 2010	900,000	1.8
11 August 2010	600,000	1.8	
12 August 2010	900,000	1.71	
13 August 2010	1,050,000	1.697	
20 October 2010	242,000	1.662	
21 October 2010	600,000	1.657	
22 October 2010	214,000	1.659	

- (b) no fund managers or principal traders connected with the Offeror who managed funds on a discretionary basis had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of EIHL and EEH.

**5. OTHER ARRANGEMENT IN RELATION TO THE OFFER**

As at the Latest Practicable Date:

- (i) no benefit (other than statutory compensation) was or would be given to any EEH Director as compensation for his/her loss of office or otherwise in connection with the Offer;
- (ii) save for the Transaction Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between EIHL, the Offeror or its Concert Parties on one hand and any EEH Directors, recent EEH Directors, EEH Shareholders or recent EEH Shareholders on the other hand, having any connection with or dependence upon the Offer;
- (iii) there was no agreement or arrangement to which EIHL, the Offeror or its Concert Parties is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (iv) other than the Transaction Agreement, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of EIHL which might be material to the Offer;
- (v) the Offeror had not received any irrevocable commitment to accept the Offer; and
- (vi) none of the EIHL Directors and the directors of the Offeror would be affected in terms of their emoluments by the acquisition of the EEH Shares or by any other associated transaction.

**6. MARKET PRICES**

The table below shows the closing market prices for the EIHL Shares as quoted by the Stock Exchange at the following dates:

<b>Date</b>	<b>Closing price per EIHL Share (HK\$)</b>
31 May 2010	1.45
30 June 2010	1.69
30 July 2010	1.86
31 August 2010	1.55
30 September 2010	1.67
29 October 2010	1.67
24 November 2010 (being the First Last Trading Date)	2.06
13 December 2010 (being the Second Last Trading Date)	1.94
28 December 2010	1.84
Latest Practicable Date	1.68

During the Relevant Period, the highest closing price of the EIHL Shares as quoted on the Stock Exchange was HK\$2.06 per EIHL Share on 24 November 2010, and the lowest closing price of the EIHL Shares as quoted on the Stock Exchange was HK\$1.42 per EIHL Share on 3 June 2010.

**7. CONSENT AND QUALIFICATION**

<b>Name</b>	<b>Qualification</b>
Emperor Capital	A corporation licensed registered to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Memfus Wong Surveyors Limited	chartered surveyors and independent valuers
Fujian Xiamen Yinghe Law Office	PRC lawyers

Emperor Capital, Memfus Wong Surveyors Limited and Fujian Xiamen Yinghe Law Office have given and have not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of the references to their name in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts have any shareholding in any member of EIHL Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of EIHL Group.

**8. LITIGATION**

Save as disclosed below, as at the Latest Practicable Date, none of the members of EIHL Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the EIHL Directors to be pending or threatened by or against any member of EIHL Group:

- (a) In July 2008, Gold Shine Investment Limited, an indirect wholly-owned subsidiary of EIHL, commenced legal proceedings seeking declarations from the Court in respect of the Conditions of Exchange relating to its property situated in Repulse Bay. The proceeding is still in progress as at the Latest Practicable Date.
- (b) EEH Group, being subsidiaries of EIHL, is engaged in litigation. Details please refer to the paragraph “Litigation” in Appendix VII “General Information of EEH Group” to this Composite Document.



## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of EIHL Group within 2 years before the commencement of the Offer period, i.e. 3 December 2010 and up to the Latest Practicable Date which are or may be material:

- (a) a sale and purchase agreement dated 7 July 2009 entered into between Worthly Strong as purchaser and Hidy Investment Limited, an Independent Third Party to EIHL Group, as vendor in relation to the acquisition of 10% of the entire issued share capital and the related shareholder's loan of Luck United Holdings Limited. The consideration was satisfied by the issue and allotment of 193,064,706 shares of EIHL and the cash payment of approximately HK\$2.55 million. Details of the transaction were included in the circular of EIHL dated 11 August 2009;
- (b) a sale and purchase agreement dated 7 July 2009 entered into between Worthly Strong as vendor and Great Assets Holdings Limited, an indirect wholly-owned subsidiary of EEH, as purchaser in relation to the disposal of 10% of the entire issued share capital and the related shareholder's loan of Luck United Holdings Limited. The consideration was satisfied by the issue and allotment of 281,322,857 shares of EEH and the cash payment of approximately HK\$2.55 million. A resolution was duly passed by the shareholders of EEH as ordinary resolution on 27 August 2009 in relation to the sale and purchase agreement and including the allotment and issue of the 281,322,857 EEH consideration shares. Details of the transaction were included in the circular of EIHL dated 11 August 2009;
- (c) a provisional agreement dated 23 July 2009 entered into between Chance Yield Development Limited, an indirect wholly-owned subsidiary of EIHL, as vendor and Prettyguide Limited, an Independent Third Party, as purchaser in relation to the disposal of the property which is located at G/F, 1/F (including the extend wells thereof) of Hong Kong Chinese Bank Causeway Bay Centre, 42-44 Yee Wo Street, Hong Kong, at a consideration of HK\$238 million. Details of the transaction were included in the announcement of EIHL dated 24 July 2009;
- (d) a subscription agreement dated 24 July 2009 entered into between EIHL and Eternally Smart Limited, a company indirectly wholly-owned by the AY Trust in relation to the subscription of the convertible bond to be issued by EIHL to Eternally Smart Limited in an aggregate principal amount of HK\$1,200 million. Shareholders approval was granted at the special general meeting held on 3 September 2009 in relation to the issue of the convertible Bond and the allotment of conversion Shares to Eternally Smart Limited. Details of the transaction were included in the circular of EIHL dated 13 August 2009;
- (e) a provisional agreement dated 31 July 2009 entered into between Forever Crown Limited, a wholly-owned subsidiary of EIHL, as vendor and Gold King Limited, an Independent Third Party, as purchaser in relation to the disposal of the property which is located at Shop Q on G/F (including M/F) together with exterior walls of shop Q on G/F (including M/F thereof), Hong Kong Mansion 1A-1H & 1J-1L Yee Wo Street, 1-7 Paterson Street, 2-10 Great George Street, Hong Kong, at a cash consideration of HK\$145 million. Details of the transaction were included in the announcement of EIHL dated 3 August 2009;

- (f) a provisional agreement dated 13 October 2009 (the “Property Agreement”) entered into between Point Ocean Investment Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser and Pizzicato Limited, an Independent Third Party, as vendor in relation to the acquisition of the property which is located at all that the podium comprising the basement, the lower ground and upper ground floor, second floor and third floor, and the roof of the podium of Healthy Gardens, 560 King’s Road, North Point, Hong Kong with 353 car parking spaces on the second and third floors of it at a consideration of HK\$935 million. Details of the transaction were included in the circular of EIHL dated 24 December 2009;
- (g) a cancellation agreement dated 15 December 2009 entered into between Point Ocean Investment Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser and Pizzicato Limited, as vendor in relation to the cancellation of the Property Agreement. Details of the transaction were included in the circular of EIHL dated 24 December 2009;
- (h) a sale and purchase agreement dated 15 December 2009 entered into between Lucky Wish Enterprises Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser and Dannette Holdings Limited, an Independent Third Party, as vendor in relation to the acquisition of the entire issued share capital and the related shareholder’s loan of Pizzicato Limited at a consideration of HK\$935 million. EIHL has obtained a written approval to the transaction from Charron and by reason of such written approval, a special general meeting of EEH to approve the transaction was not necessary pursuant to Rule 14.44 of the Listing Rules and was not convened. Details of the transaction were included in the circular of EIHL dated 24 December 2009;
- (i) a sale and purchase agreement dated 18 December 2009 entered into between Snowland Limited, an Independent Third Party, as vendor and Gold Pleasure Investment Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser in relation to the acquisition of Ground floor, Nos. 6 & 8 Canton Road, Kowloon, Hong Kong at a consideration of HK\$843 million. EIHL has obtained a written approval to the transaction from Charron and by reason of such written approval, a special general meeting of EEH to approve the transaction was not necessary pursuant to Rule 14.44 of the Listing Rules and was not convened. Details of the transaction were included in the circular of EIHL dated 12 February 2010;
- (j) the agreement dated 1 April 2010 entered into between Gain Wealth Investments Limited, a wholly-owned subsidiary of the AY Trust, as the vendor and Good Force Investments Limited, a wholly-owned subsidiary of EIHL, as purchaser in relation to the acquisition of the entire issued share capital of and the shareholder's loan of Richfield Development Limited at a consideration of HK\$16.9 million. Completion of the transaction took place on 3 May 2010 upon obtaining the good title to the property. Details of the transaction were included in the announcement of EIHL dated 1 April 2010;
- (k) the provisional agreement dated 18 July 2010 entered into between Kingdom Power Development Limited, an Independent Third Party, as vendor and Century Creations Limited, a wholly-owned subsidiary of EIHL, as purchaser in relation to the acquisition of the property located at No. 22 and 24, Russell Street, Causeway Bay, Hong Kong at a cash consideration of HK\$1,100 million. Details of the transaction were included in the announcement of EIHL dated 18 July 2010;

- (l) the Transaction Agreement; and
- (m) a provisional agreement dated 14 January 2011 entered into between Rise Wealth Enterprise Limited, an indirect wholly-owned subsidiary of EIHL, as purchaser and Mr. Tang Yuen Fun and Mr. Tang Kee Fun, Independent Third Parties, as vendors in relation to the acquisition of the property which is located at Ground Floor, No. 76 Percival Street, Hong Kong, at a consideration of HK\$380 million. Details of the transaction were included in the announcement of EIHL dated 14 January 2011.

## 10. MISCELLANEOUS

The principal members of the Offeror's concert group consists of (i) the directors of the Offeror; (ii) Emperor Capital; and (iii) EIHL and its directors. The names and addresses of the principal members are as follows:

- (a) The board of directors of the Offeror comprises Mr. Wong Chi Fai and Ms. Mok Fung Lin, Ivy, who are also executive directors of both EEH and EIHL.
- (b) The registered office of the Offeror is situated at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (c) The corresponding address of the Offeror and the directors of the Offeror, Mr. Wong Chi Fai and Ms. Mok Fung Lin, Ivy is 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (d) The registered office of Emperor Capital is situated at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (e) As at the Latest Practicable Date, Mr. Wong Chi Fai, Ms. Fan Man Seung, Vanessa, Ms. Mok Fung Lin, Ivy and Mr. Cheung Ping Keung are the executive directors of EIHL; Ms. Luk Siu Man, Semon is the non-executive director of EIHL; and Mr. Chan Man Hon, Eric, Mr. Liu Hing Hung, Mr. Law Ka Ming, Michael are the independent non-executive directors of EIHL.
- (f) The head office, place of business of EIHL and the corresponding address of the directors of EIHL is situated at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (g) The registered office of EIHL is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during 9:30 a.m. to 5:00 p.m. from Monday to Friday (except public holidays) at the registered office of EIHL; (ii) on the website of SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) on the website of EIHL at [www.emp163.com](http://www.emp163.com), from the date of this Composite Document up to the Closing Date or the date on which the Offeror is withdrawn or lapsed,

whichever is earliest:

- (a) memorandum and articles of association of the Offeror;
- (b) memorandum of association and bye-laws of EIHL;
- (c) the letter from Emperor Capital, the text of which is set out on pages 7 to 16 of this Composite Document;
- (d) the letter of consent from Emperor Capital referred to in the paragraph headed “Consent and Qualification” in this Appendix;
- (e) the annual reports of EIHL for the two years ended 31 March 2010;
- (f) the interim report of EIHL for the six months ended 30 September 2010;
- (g) the material contracts referred to in the section headed “Material Contracts” in this Appendix;
- (h) the valuation certificate and the valuation report on the properties held by EIHL Group prepared by Memfus Wong Surveyors Limited as set out in Appendix V to this Composite Document; and
- (i) the written consents as referred to in the paragraph headed “Consent and Qualification” in this Appendix.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purposes of giving information with regard to the EEH Group and the Offer. The EEH Directors jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of EIHL and the Offeror) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained in this Composite Document misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of EEH were as follows:

<i>Authorised:</i>		<i>HK\$'000</i>
<u>2,000,000,000,000</u>	ordinary shares	<u>200,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
<u>1,292,545,983</u>	ordinary shares	<u>129</u>

Since 31 March 2010, the end of last financial year, and up to the Latest Practicable Date, EEH had not issued any EEH Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code).

As at the Latest Practicable Date, save as disclosed below, there are no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into EEH Shares and EEH has not entered into any agreement for the issue of any such securities, options, derivatives or warrants.

Name of grantee	Date of grant	Exercisable period	Exercise price of the share options	Number of options outstanding as at 1 April 2009 and 31 March 2010
Mr. Wong Chi Fai	11 August 2005	11 August 2005 to 10 August 2015	HK\$2.2	5,000,000
Ms. Fan Man Seung, Vanessa	11 August 2005	11 August 2005 to 10 August 2015	HK\$2.2	5,000,000

All EEH Shares currently in issue rank pari passu in all respects with each others, including, the rights and entitlements as to dividends, voting rights and return of capital.

The EEH Shares are listed and traded on the Main Board of the Stock Exchange. The EEH Shares are not listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the EEH Shares being, or proposed to be, sought on any others stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions of the EEH Directors and chief executives of EEH in the shares, underlying shares and debentures of EEH 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, to be notified to EEH and the Stock Exchange or which were required to be disclosed pursuant to the Takeovers Code, was as follows:

#### Long position interests in EEH

##### (i) Ordinary shares of HK\$0.0001 each of EEH

Name of director	Capacity/Nature of interests	Number of issued ordinary share(s) held	Approximate percentage holding
Ms. Semon Luk (Note 1)	Family	743,227, 815	57.50%

##### (ii) Share options

Name of director	Capacity/Nature of interests	Number of underlying shares	Approximate percentage holding
Mr. Wong Chi Fai (Note 2)	Beneficial owner	5,000,000	0.39%
Ms. Fan Man Seung, Vanessa (Note 2)	Beneficial owner	5,000,000	0.39%

#### Notes:

- The EEH Shares were held by Worthly Strong which is the wholly-owned subsidiary of EIHL. EIHL was owned as to 71.65% by the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the said EEH Shares held by Worthly Strong. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.
- These were share options granted to the relevant EEH Directors under the share option scheme of EEH.

**Long position interests in associated corporations***Ordinary Shares*

<b>Name of director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of issued ordinary share(s) held</b>	<b>Percentage of the issued share capital</b>
Ms. Semon Luk	Worthy Strong (Note 1)	Family	100	100%
Ms. Semon Luk	EIHL (Note 1)	Family	2,126,847,364	71.65%
Ms. Semon Luk	Charron (Note 2)	Family	1	100%
Ms. Semon Luk	Million Way (Note 2)	Family	1	100%
Ms. Semon Luk	Eternally Smart (Note 2)	Family	1	100%
Ms. Semon Luk	Velba (Note 3)	Family	1	100%
Ms. Semon Luk	NMG (Note 3)	Family	450,000,000	62.5%
Ms. Semon Luk	Allmighty Group (Note 4)	Family	100	100%
Ms. Semon Luk	EWJ (Note 4)	Family	3,510,770,000	62.04%

*Share options*

<b>Name of director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of underlying share(s)</b>	<b>Percentage of the issued share capital</b>
Mr. Wong Chi Fai	EIHL (Note 5)	Beneficial owner	15,000,000	0.51%
Ms. Fan Man Seung, Vanessa	EIHL (Note 5)	Beneficial owner	15,000,000	0.51%
Ms. Mok Fung Lin, Ivy	EIHL (Note 5)	Beneficial owner	2,500,000	0.08%

*Notes:*

1. Worthly Strong is the holding company of EEH and is wholly-owned by EIHL. EIHL is a company with its shares listed in Hong Kong; 2,126,847,364 shares were held by Charron. The entire issued share capital of Charron was held by Million Way which was in turn wholly-owned by STC International, the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the share capital of Worthly Strong and the said shares held by Charron in EIHL. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk, a director of EEH, was also deemed to be interested in the same shares.
2. Charron is the holding company of Eternally Smart Limited. The entire issued share capital of Charron was held by Million Way which was in turn wholly-owned by STC International Limited (“STC International”), the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the share capital of Charron, Million Way and Eternally Smart Limited. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.
3. NMG is a company with its shares listed in Hong Kong; 450,000,000 shares of NMG were held by Velba. The entire issued share capital of Velba was held by Million Way which was in turn wholly-owned by STC International, being the trustee of the AY Trust. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the share capital of Velba and the said shares in NMG held by Velba. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.
4. EWJ is a company with its shares listed in Hong Kong; 3,510,770,000 shares of EWJ were held by Allmighty Group. The entire issued share capital of Allmighty Group was held by Million Way which was in turn wholly-owned by STC International, being the trustee of the AY Trust. Dr. Albert Yeung, as the founder of the AY Trust, was deemed to be interested in the share capital of Allmighty Group and the said shares in EWJ held by Allmighty Group. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the same shares.
5. These were share options granted to the relevant directors of EIHL under its share option scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the EEH Directors or chief executive of EEH had any interests or short positions in the shares, underlying shares and debentures of EEH or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to EEH 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) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code to be notified to EEH and the Stock Exchange.

**(b) Other Persons’ Interests or Short Positions**

As at the Latest Practicable Date, so far as is known to any EEH Directors or chief executive of EEH, the following persons (not being a EEH Director or chief executive of EEH) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of EEH which would fall to be disclosed to EEH 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of EEH Group or had any option in respect of such capital:

*Long position in ordinary shares of HK\$0.0001 each of EEH*

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate percentage holding
EIHL ( <i>Note</i> )	Interest in a controlled corporation	743,227,815	57.5%
Charron ( <i>Note</i> )	Interest in a controlled corporation	743,227,815	57.5%
Million Way ( <i>Note</i> )	Interest in a controlled corporation	743,227,815	57.5%
STC International ( <i>Note</i> )	Trustee	743,227,815	57.5%
Dr. Albert Yeung ( <i>Note</i> )	Founder of the AY Trust	743,227,815	57.5%
Penta Investment Advisers Limited	Investment manager	163,545,000	12.65%

*Note:* These Shares were held by Worthy Strong which was indirectly owned by EIHL. EIHL was a company with its shares listed in Hong Kong and approximately 71.65% of its issued share capital was held by Charron. The entire issued share capital of Charron was held by Million Way which was in turn wholly-owned by STC International being the Trustee of the AY Trust. Dr. Albert Yeung as founder of the AY Trust, was deemed to be interested in the same shares held by Worthy Strong. These shares were the same shares as those set out under section 3.(a)(i) of “Disclosure of Interests” above.

#### 4. MARKET PRICES

The table below shows the closing market prices for the EEH Shares as quoted by the Stock Exchange at the following dates:

Date	Closing price per EEH Share (HK\$)
31 May 2010	1.17
30 June 2010	1.40
30 July 2010	1.47
31 August 2010	1.36
30 September 2010	1.40
29 October 2010	1.32
24 November 2010 (being the First Last Trading Date)	1.47
13 December 2010 (being the Second Last Trading Date)	1.70
28 December 2010	1.76
Latest Practicable Date	1.99

During the Relevant Period, the highest closing price of the EEH Shares as quoted on the Stock Exchange was HK\$2.07 per EEH Share on 11 and 12 January 2011, and the lowest closing price of the EEH Shares as quoted on the Stock Exchange was HK\$1.17 per EEH Share on 3 June 2010.

**5. SHAREHOLDINGS AND DEALINGS**

As at the Latest Practicable Date,

- (a) EEH did not have any interest in the shares of EIHL and the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EIHL Shares or the shares of the Offeror;
- (b) save for (i) Ms. Semon Luk who has deemed interest in 2,126,847,364 EIHL Shares by virtue of being the spouse of Dr. Albert Yeung who is the founder of the AY Trust which is in turn indirectly holding such EIHL Shares, (ii) Mr. Wong Chi Fai who owned share options convertible into 15,000,000 EIHL Shares, (iii) Ms. Fan Man Seung, Vanessa who owned share options convertible into 15,000,000 EIHL Shares and (iv) Ms. Mok Fung Lin, Ivy who owned share options convertible into 2,500,000 EIHL Shares, none of the EEH Directors are interested in EIHL Shares and shares of the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EIHL Shares or the shares of the Offeror;
- (c) Save as disclosed under the paragraph headed “Disclosure of Interests” in this Appendix, none of the EEH Directors are interested in EEH Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EEH Shares.
- (d) no securities, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares of EEH or the Offeror or in EIHL was owned or controlled by a subsidiary of EEH or by a pension fund of any member of EEH Group, or by an adviser to EEH as specified in class (2) of the definition of associate under the Takeovers Code including Emperor Capital or Piper Jaffray;
- (e) no shareholding in EEH or in the Offeror or in EIHL was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with EEH or any person who is an associate of EEH by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (f) no shareholding in EEH or in the Offeror or in EIHL was managed on a discretionary basis by fund managers (other than exempted fund managers) connected with EEH;
- (g) none of the EEH Directors or EEH has been borrowed or lent any shares, convertible securities, warrants, options or derivatives of EEH, the Offeror and EIHL; and
- (h) none of the EEH Directors are interested in EEH Shares which are subject to be acquired by the Offeror under the Offer.

During the Relevant Period:

- (i) Save for the acquisition in EIHL Shares by Charron, as shown below of which Ms. Luk Siu Man, Semon, an EEH Director, has deemed interest, none of EEH Directors have dealt for value in any of the EIHL Shares, the shares of the Offeror and/or EEH Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the EIHL Shares, the shares of the Offeror and/or EEH Shares;

Party	Date of dealing	Number of EIHL Shares acquired/ (disposed of)	Average Price per EIHL Share (HK\$)
Charron	30 June 2010	3,034,000	1.697
	30 June 2010	20,000,000	1.67
	2 July 2010	1,400,000	1.726
	5 July 2010	1,100,000	1.699
	6 July 2010	1,100,000	1.699
	7 July 2010	1,132,000	1.695
	8 July 2010	800,000	1.69
	9 July 2010	1,030,000	1.676
	12 July 2010	900,000	1.68
	13 July 2010	500,000	1.67
	14 July 2010	600,000	1.67
	15 July 2010	850,000	1.633
	16 July 2010	358,000	1.624
	19 July 2010	1,600,000	1.67
	20 July 2010	800,000	1.655
	21 July 2010	1,300,000	1.641
	22 July 2010	1,250,000	1.647
	23 July 2010	100,000	1.64
	26 July 2010	1,000,000	1.68
	27 July 2010	1,000,000	1.7
	28 July 2010	1,100,000	1.71
	29 July 2010	752,000	1.779
	30 July 2010	700,000	1.82
	2 August 2010	1,000,000	1.854
	3 August 2010	1,100,000	1.86
	4 August 2010	1,000,000	1.87
	5 August 2010	996,000	1.873
	6 August 2010	1,062,000	1.83
	9 August 2010	1,000,000	1.85
	10 August 2010	900,000	1.8
	11 August 2010	600,000	1.8
	12 August 2010	900,000	1.71
13 August 2010	1,050,000	1.697	
20 October 2010	242,000	1.662	
21 October 2010	600,000	1.657	
22 October 2010	214,000	1.659	

- (ii) EEH has not dealt for value in EIHL Shares, shares of the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EIHL Shares or shares of the Offeror;
- (iii) no fund manager connected with EEH, who manages funds on a discretionary basis, had dealt for value in any EEH Shares, EIHL Shares or shares of the Offeror or any convertible securities, warrants, options or derivatives issued by EEH, EIHL or the Offeror;
- (iv) none of the subsidiaries of EEH, pension fund of any member of EEH Group or professional advisers to EEH as specified in class (2) of the definition of associate under the Takeovers Code including Emperor Capital or Piper Jaffray have dealt for value in any EEH Shares, EIHL Shares or shares of the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EEH Shares, EIHL Shares or shares of the Offeror; and
- (v) none of the person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with EEH or any person who is an associate of EEH by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code have dealt for value in any EEH Shares, EIHL Shares or shares of the Offeror, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EEH Shares, EIHL Shares or shares of the Offeror.

## **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, there were no service contracts with EEH Group and EEH's associated companies in force for the EEH Directors (i) which (including both continuous and fixed terms contracts) have been entered into or amended within 6 months before the commencement of the Offer period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

## **7. ARRANGEMENTS AFFECTING EEH DIRECTORS**

None of the EEH Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there is no agreement or arrangement between any EEH Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

Save for the material contracts numbered (b) (d) (j) and (l) (in which Ms. Semon Luk has deemed interest) as disclosed in the section "Material Contracts" of Appendix VI, no material contracts had been entered into by the Offeror or EIHL in which any EEH Director has a material personal interest.

## 8. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, none of the members of EEH Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the EEH Directors to be pending or threatened by or against any member of the EEH Group:

Expert Pearl, through its wholly-owned subsidiaries, Supreme Win Investments Limited (“Supreme Win”) and Emperor (Shanghai) Co., Ltd. (“Emperor Shanghai”), is holding the entire interest in the Property.

In 2004, Expert Pearl Group entered into the JV Agreement with the JV Partner to develop the Property. The major terms of the JV Agreement are as follows:

- (i) Emperor Shanghai would provide the land and it is agreed that Emperor Shanghai shall be the contracting party to all contracts relating to the development of the Property, while the JV Partner would bear the full construction cost and the saleable area of the completed Property would be split between the parties in equal shares;
- (ii) Supreme Win and the JV Partner shall nominate their own directors to form the board of Emperor Shanghai for the development of the Property;
- (iii) the JV Partner shall be responsible for the management of the development upon the consent of Supreme Win on the material terms for the designing, developing and construction of the Property;
- (iv) the JV Partner shall complete the design of the Property within 6 months, obtain the presale permit within 24 months and complete within 30 months after the land is handed over to the JV Partner;
- (v) the JV Partner shall ensure that all payments to third parties under the contracts in relation to the development are paid according to schedule and such payments shall be made via a joint account to be controlled by Expert Pearl Group and the JV Partner;
- (vi) Expert Pearl Group has the right to terminate the JV Agreement and forfeit the JV Partner’s contribution to the Property if the JV Partner fails to settle overdue construction cost payment to contractors of more than RMB10,000,000 for more than 3 months;
- (vii) if Expert Pearl Group fails to facilitate JV Partner in obtaining necessary government permits or enter into necessary contracts for the development, Expert Pearl Group is required to compensate the JV Partner RMB1 million per day after the due date; and
- (viii) Expert Pearl Group has an option to put and the JV Partner is required to acquire the shares of Supreme Win at a consideration of HK\$530,000,000. The option is exercisable between 18 months to 30 months from the date the land is handed over to the JV Partner or completion of the decoration of the common areas of the Property, whichever is the later. No similar call option is available to the JV Partner.

The JV Agreement provides terms for the development of the Property, instead of the ownership of the Property. As at the Latest Practicable Date, according to the Shanghai Certificate of Real Estate Ownership for the Property, the ownership of the Property belongs to EEH Group. In October 2006, Expert Pearl Group has commenced legal proceedings against the JV Partner as the JV Partner had failed to settle the outstanding payment and construction costs of approximately RMB56.5 million in accordance with the terms of the JV Agreement. Expert Pearl Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution in the sum of approximately RMB27.1 million to the project and requires the JV Partner to settle the outstanding payment construction costs totaling approximately RMB83.6 million (equivalent to approximately HK\$96.8 million). The JV Partner contested the proceedings and alleging that Expert Pearl Group deliberately delayed the progress of the development and not cooperating with the JV Partner. The JV Partner counterclaimed against Expert Pearl Group for RMB100 million (equivalent to approximately HK\$115.8 million) as damages for breach of the JV Agreement. On 28 December 2010, Expert Pearl Group received the judgement (the "Judgement") dated 28 December 2010 from the Shanghai No.2 Intermediate People's Court, Shanghai, the PRC regarding the legal proceedings above mentioned under which (i) Expert Pearl Group's request for termination of the JV Agreement and the claims for forfeiture and payments mentioned above were not granted, and the JV Agreement shall continue to have effect; and (ii) the counterclaim of the JV Partner was also rejected.

Before the Judgement, Expert Pearl Group has assumed the legal obligation to settle the outstanding payments relating to the Property and all future development costs. The total construction cost of the Property is approximately HK\$1,223.6 million as set out in the valuation report of the Property. The amount of construction costs incurred up to the Latest Practicable Date is approximately HK\$172 million.

As a result of the Judgement, the JV Agreement shall continue to have effect; Expert Pearl Group is required to share half of the saleable area of the completed Property with the JV Partner and therefore reducing the value of the Property attributable to EEH Group. However, the JV Partner is required to contribute 100% of the construction costs (includes settling the HK\$172 million) before it can benefit from the completed Property. Under the Judgement, Expert Pearl Group is not liable to pay the JV Partner any damages and vice versa.

The EIHL Board and the EEH Board consider that although Expert Pearl Group can no longer enjoy 100% of the financial benefit from the completed Property, such economic loss is compensated by the gain attributable to the fact that Expert Pearl Group is not required to contribute any money towards the substantial construction costs and the risk of the counterclaim is removed. Balancing the effects of the aforesaid factors, EEH Board considers the Judgement will have no material impact on the financial position and operation of Expert Pearl Group.

In view that the Judgement has no material impact to the financial position and operation of Expert Pearl Group, both EEH Board and EIHL Board consider that no amendment to the terms of the Transaction is required.

Expert Pearl Group has commenced the appeal procedure against the Judgement. The EEH Directors are of the view that the ultimate outcome of the case and the date of receiving the judgement on the appeal are not determinable at this stage. The EEH executive Directors estimated that it is possible to take two years for the appeal. The JV Partner also has the legal right to appeal against the Judgement.

On 20 December 2010, Emperor Shanghai issued a claim against a main contractor (the “Contractor”), an Independent Third Party, for the development of the Property for damages of RMB25 million pursuant to a construction contract in relation to the Property. In September 2005, Emperor Shanghai entered into an agreement (the “Main Contractor Agreement”) with the Contractor for the construction of the Property pursuant to the JV Agreement that the JV Partner shall be responsible for procuring the contractors and Emperor Shanghai as the contracting party. The major terms of the Main Contractor Agreement with the Contractor are (i) the amount of the total contract sum is approximately RMB458 million and the construction to be completed within 840 days; (ii) the Contractor shall be solely responsible for the construction, including the safeguard of the building materials, machines, facilities in the construction site; and (iii) work according to construction schedule and observe all regulations in relation to the Property.

As affected by the legal proceedings with the JV Partner, Emperor Shanghai required the Contractor to report to them directly. However, the Contractor refused to report and delivered necessary documents to Emperor Shanghai in relation to the progress of the construction. Despite repeated demand by Emperor Shanghai requesting the Contractor to proceed with the construction as per the Main Contractor Agreement, the Contractor stopped all construction. As a result, Emperor Shanghai commenced the legal proceedings against the Contractor to (i) terminate the Main Contractor Agreement; (ii) seek for damages of RMB25 million as a result of the delay of carrying out the construction; and (iii) deliver to Emperor Shanghai all necessary documents in relation to the development which are now in possession of the Contractor. The legal action is still at a preliminary stage and there is no further development since Emperor Shanghai commenced the proceedings. Assuming the termination is not granted, the Contractor will continue to be the main contractor under the Main Contractor Agreement and pursuant to the JV Agreement and the JV Partner is required to pay the construction costs. Emperor Shanghai has not paid any amount to the Contractor as at the Latest Practicable Date. The EEH executive Directors estimated that the ultimate outcome of the case for this litigation is not determinable at this stage and it is estimated that the litigation may take two years. Given that Emperor Shanghai is the plaintiff of the action and the major claim of this litigation is to terminate the Main Contractor Agreement, the EEH Board considers that this litigation will not have any material impact on the financial position or operation of Expert Pearl Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of EEH Group within the 2 years before the commencement of the Offer period, i.e. 3 December 2010 and up to the Latest Practicable Date which are or may be material:

- (a) the sale and purchase agreement dated 7 July 2009 entered into between Worthly Strong, as vendor and Great Assets Holdings Limited, an indirect wholly-owned subsidiary of EEH, as purchaser in relation to the acquisition of 10% of the entire issued share capital of Luck United Holdings Limited and all the outstanding loans due from Luck United Holdings Limited to Worthly Strong as at the date of completion of the sale and purchase agreement. The consideration was satisfied by the issue and allotment of 281,322,857 shares of EEH and the cash payment of approximately HK\$2.55 million. A resolution was duly passed by its shareholders as ordinary resolution on 27 August 2009 in relation to the sale and purchase agreement and including the allotment and issue of the 281,322,857 EEH consideration shares. Details of the transaction were included in the circular of EEH dated 11 August 2009; and
- (b) the Transaction Agreement.

**10. EXPERT**

The following is the qualifications of the experts who have been named in this Composite Document or has given opinion or advice which is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Piper Jaffray	a licensed corporation registered to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Memfus Wong Surveyors Limited	chartered surveyors and independent valuers
Fujian Xiamen Yinghe Law Office	PRC lawyers
C & C Advogadose	Macau lawyers

Each of the above experts has given and has not withdrawn their written consent to the issue of this Composite Document with the inclusion herein of its letters or references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts have any shareholding in any member of EEH Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of EEH Group.

**11. MISCELLANEOUS**

- (a) The registered office of EEH is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of EEH is at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of EEH is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of EEH is Ms. Mok Fung Lin, Ivy who joined EEH in 1993 as legal consultant and was appointed as executive director of EEH in February 2000. She is a lawyer by profession in Hong Kong and the United Kingdom, and holds a Master's Degree in Business Administration. Ms. Mok is also an executive director and the company secretary of EIHL.
- (e) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text in case of any inconsistency.



**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during 9:30 a.m. to 5:00 p.m. from Monday to Friday (except public holiday) at the principal place of business of EEH in Hong Kong at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong and will be displayed on the website of EEH at [www.emp296.com](http://www.emp296.com) and the website of SFC at [www.sfc.hk](http://www.sfc.hk) up to and including the Closing Date or the date on which the Offer is withdrawn or lapses, whichever is earliest:

- (a) the memorandum of association and bye-laws of EEH;
- (b) the annual reports of EEH for the two years ended 31 March 2010;
- (c) the interim report of EEH for the six months ended 30 September 2010;
- (d) the letter from the EEH Board, the text of which is set out on pages 17 to 21 of this Composite Document;
- (e) the letter of recommendation from the EEH Independent Board Committee, the text of which is set out on page 22 of this Composite Document;
- (f) the letter of advice from Piper Jaffray, the text of which is set out on pages 23 to 41 of this Composite Document;
- (g) the valuation certificate and the valuation report on properties on EEH Group prepared by Memfus Wong Surveyors Limited as set out in Appendix IV to this Composite Document;
- (h) the material contracts as referred to under the paragraph “Material Contracts” in this Appendix; and
- (i) the written consents as referred to in the paragraph headed “Experts” in this Appendix.