

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 15 September 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The HKICPA has issued a number of amendments, new standards and interpretations which are effective for accounting periods beginning on or after 1 January 2006. The adoption of these amendments, new standards and interpretations has no significant impact on the financial statements of the Group.

The Group has not early adopted the following amendments, new standards and interpretations which have been issued and are not yet effective for the accounting period ended 30 June 2006. The Directors have so far concluded that the adoption is unlikely to have a significant impact on the Group's results of operation and financial position.

		Effective for accounting periods beginning on or after
HKAS1 (amendment)	Capital disclosures	1 January 2007
HKFRS7	Financial instruments: Disclosures	1 January 2007
HK(IFRIC)-Int7	Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC)-Int8	Scope of HKFRS2	1 May 2006
HK(IFRIC)-Int9	Reassessment of embedded derivatives	1 June 2006

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 24.

The financial information relating to the financial year ended 31 December 2005 included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 April 2006.

2 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), or in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions. The Group's business operations are mainly divided into Macau, the People's Republic of China ("PRC"), Vietnam, Canada and other markets classified by the location of assets.

Segment revenue and expenses include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and expenses are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group transactions are between group enterprises within a single segment.

The analysis of the geographical locations of the operations of the Company and its subsidiaries during the financial period is as follows:

	Six months ended 30 June 2006 (HK\$'000)					
	Macau	PRC	Vietnam	Canada	Others	Total
Turnover	10,831	22,291	212,737	556	549	246,964
Other revenue						
– allocated	6,279	116	77	–	–	6,472
– unallocated	–	–	–	–	4,826	4,826
Total revenue	17,110	22,407	212,814	556	5,375	258,262
Other net income (note 3)	8,881	198	149	–	5,019	14,247
Segment result	31,090	(3,062)	34,232	(125)	9,389	71,524
Finance costs	(71)	(671)	–	(3)	(3,718)	(4,463)
Share of profits less losses of associates	–	2,298	(383)	6,857	–	8,772
Profit before taxation						75,833
Income tax credit						1,827
Profit after taxation						77,660
Profit attributable to equity holders of the Company						63,497
Minority interest						14,163
Depreciation and amortisation	2,162	4,816	38,926	–	88	45,992
Impairment of interest in associates (note 11)	–	5,910	–	–	–	5,910

2 SEGMENTAL INFORMATION (Continued)

	Six months ended 30 June 2005 (HK\$'000)					
	Macau	PRC	Vietnam (restated)	Canada	Others	Total (restated)
Turnover	163,813	19,131	141,103	474	6,025	330,546
Other revenue						
– allocated	4,745	181	38	–	–	4,964
– unallocated	–	–	–	–	1,216	1,216
Total revenue	<u>168,558</u>	<u>19,312</u>	<u>141,141</u>	<u>474</u>	<u>7,241</u>	<u>336,726</u>
Other net loss (note 3)	<u>(18,859)</u>	<u>(308)</u>	<u>(22)</u>	<u>–</u>	<u>(8,180)</u>	<u>(27,369)</u>
Segment result	119,358	(3,151)	18,410	(184)	(4,343)	130,090
Finance costs	(37)	(734)	–	–	(4,164)	(4,935)
Share of profits less losses of associates	–	3,293	6,749	4,386	(1)	14,427
Profit before taxation						139,582
Income tax charge						<u>(18,417)</u>
Profit after taxation						<u>121,165</u>
Profit attributable to equity holders of the Company						<u>91,205</u>
Minority interests						<u>29,960</u>
Depreciation and amortisation	2,029	6,720	41,611	–	88	50,448
Impairment of interest in associates	–	–	–	–	–	–

An analysis of the Group's turnover for the six months ended 30 June 2006 by business segments is as follows:

	Six months ended 30 June 2006	2005 (restated)
	HK\$'000	HK\$'000
Hotel and club operations (note)	236,858	162,010
Proceeds from sale of properties	1,330	161,357
Rental income	5,932	4,560
Management fee received	2,844	2,619
	<u>246,964</u>	<u>330,546</u>

Note: Included in hotel and club operations is slot machine income which amounted to HK\$103,753,000 for the six months ended 30 June 2006 (2005 (restated): HK\$39,708,000). The slot machine income represents net proceeds earned from the operation of slot machines at one of the Group's hotels.

3 OTHER REVENUE AND NET INCOME/(LOSS)

(a) Other revenue

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest income from bank deposits	10,638	4,964
Sundry income	660	1,216
	<u>11,298</u>	<u>6,180</u>

(b) Other net income/(loss) represents net exchange gains/(losses).

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank overdraft and other advances wholly repayable within five years	1,001	2,527
Interest on other loans	3,420	2,375
Interest paid on amounts due to an affiliated company	42	33
	<u>4,463</u>	<u>4,935</u>
	Six months ended 30 June	
	2006	2005
	HK\$'000	(restated) HK\$'000
(b) Other items:		
Staff costs (including retirement costs of HK\$854,000 (2005 (restated): HK\$552,000))	23,730	23,171
Cost of properties sold	243	31,044
Cost of inventories	12,439	12,555
Dividend income from listed investments	(31)	(21)
Impairment of interest in associates (note 11)	<u>5,910</u>	<u>—</u>

5 INCOME TAX

Taxation is calculated at the rate of 17.5% (2005: 17.5%) on Hong Kong assessable profits and at the applicable rates on overseas assessable profits. The taxation credit/(charge) is made up as follows:

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax	–	–
Overseas taxation		
– Current period	(2,904)	(17,554)
– Prior periods	6,951	817
Deferred taxation	(2,220)	(1,680)
Income tax	1,827	(18,417)

In prior years, the Directors provided for overseas taxation in respect of certain subsidiaries of the Group based on the information available to the Group at that time. During the six months ended 30 June 2006, the Directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for overseas taxation totalling HK\$6,951,000 (2005: HK\$817,000) have been released into the consolidated income statement for the six months ended 30 June 2006.

As at 30 June 2006, the Group had deferred tax liabilities in the amount of HK\$6,748,000 (31 December 2005: HK\$4,528,000), arising from revaluation of investment properties.

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK\$13,178,000 (31 December 2005: HK\$13,178,000). The future benefits of tax losses, which are subject to agreement by the relevant tax authorities, as at 30 June 2006 amount to HK\$20,814,000 (31 December 2005: HK\$20,814,000). The future benefit of tax losses is not recognised as it is not probable that there will be sufficient appropriate taxable profits before expiry of tax losses in the respective tax jurisdictions.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to three to ten years from the year in which they were sustained or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

6 DIVIDEND

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

7 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of HK\$63,497,000 (2005: HK\$91,205,000) and 340,200,000 ordinary shares in issue during both periods.

8 FIXED ASSETS

Investment properties carried at fair value were revalued at 30 June 2006 by an independent firm of professional surveyors, Infinity Property Development and Planning Limited, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential. As a result of the valuation, a gain of HK\$18,500,000 (2005: HK\$14,000,000), and deferred tax thereon of HK\$2,220,000 (2005: HK\$1,680,000), have been included in the consolidated income statement.

As at 30 June 2006, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of HK\$983,021,000 (31 December 2005: HK\$1,019,553,000) were mortgaged to various banks to secure banking facilities granted to the Group.

9 PROPERTIES UNDER DEVELOPMENT

Certain of properties under development with a carrying value of HK\$130,478,000 (31 December 2005: HK\$126,255,000) have been mortgaged to secure banking facilities granted to a subsidiary.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Current	14,140	4,060
1 to 3 months overdue	5,115	8,008
4 to 12 months overdue	10	518
More than 12 months overdue	—	—
	<hr/>	<hr/>
Trade receivables	19,265	12,586

The Group has a defined credit policy. The general credit terms allowed range from 0 – 30 days. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

11 ASSETS CLASSIFIED AS HELD FOR SALE

On 1 June 2006, the Group entered into a sales and purchase agreement with an independent third party in respect of the disposal of the Group's entire interest in Crown Pacific Development Limited ("Crown Pacific"). Accordingly, the carrying amounts of the Group's interest have been classified as assets held for sale and are presented separately in the balance sheet.

Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell. The net carrying amounts of the investment in Crown Pacific at 1 June 2006 exceeded the agreed disposal proceeds (equivalent to the fair value less costs to sell at 1 June 2006) and an impairment loss of HK\$5,910,000 was charged to the consolidated income statement. The transaction was completed on 31 July 2006.

12 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Due within 1 month or on demand	8,215	19,179
Due after 1 month but within 3 months	1,033	—
Due after 3 months but within 6 months	—	87
	<u>9,248</u>	<u>19,266</u>
Trade creditors	<u>9,248</u>	<u>19,266</u>

13 CAPITAL AND RESERVES

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000	Other capital reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2005	340,200	158,105	12,758	—	17,954	226	894,865	1,424,108	186,233	1,610,341
Movement during the period	—	—	—	—	37	4	—	41	—	41
Profit for the period	—	—	—	—	—	—	91,205	91,205	29,960	121,165
Dividends	—	—	—	—	—	—	—	—	(12,344)	(12,344)
At 30 June 2005	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>—</u>	<u>17,991</u>	<u>230</u>	<u>986,070</u>	<u>1,515,354</u>	<u>203,849</u>	<u>1,719,203</u>
At 1 July 2005	340,200	158,105	12,758	—	17,991	230	986,070	1,515,354	203,849	1,719,203
Movement during the period	—	—	—	22,048	339	186	—	22,573	—	22,573
Profit for the period	—	—	—	—	—	—	31,158	31,158	27,162	58,320
Dividends	—	—	—	—	—	—	(23,814)	(23,814)	(862)	(24,676)
At 31 December 2005	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>22,048</u>	<u>18,330</u>	<u>416</u>	<u>993,414</u>	<u>1,545,271</u>	<u>230,149</u>	<u>1,775,420</u>
At 1 January 2006	340,200	158,105	12,758	22,048	18,330	416	993,414	1,545,271	230,149	1,775,420
Movement during the period	—	—	—	(2,302)	6,942*	162	—	4,802	—	4,802
Profit for the period	—	—	—	—	—	—	63,497	63,497	14,163	77,660
Dividends	—	—	—	—	—	—	(13,608)	(13,608)	(15,430)	(29,038)
At 30 June 2006	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>19,746</u>	<u>25,272</u>	<u>578</u>	<u>1,043,303</u>	<u>1,599,962</u>	<u>228,882</u>	<u>1,828,844</u>

* Included in the exchange reserve, an amount of foreign exchange gain, HK\$5,179,000, was related to assets classified as held for sale at 30 June 2006, which would be recognised in the income statement upon completion of the disposal (note 11).

13 CAPITAL AND RESERVES *(Continued)*

	No. of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1 each	<u>500,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2006 and 30 June 2006	<u>340,200,000</u>	<u>340,200</u>

The application of the share premium amount is governed by section 48B of the Hong Kong Companies Ordinance.

The legal reserve is non-distributable and represents transfers from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

The exchange reserve of the Group arises on translation of the financial statements of foreign subsidiaries and associates.

The fair value reserve has been set up and dealt with in accordance with the accounting policies adopted for the revaluation of available-for-sales securities.

Other capital reserve represents the credit balance arising from discounting, at a market related rate, the nominal value of the interest-free loans due to minority shareholders which are used to finance a subsidiary's operations.

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Profit for the period is retained as follows:		
By the Company and its subsidiaries	54,725	76,778
By associates	<u>8,772</u>	<u>14,427</u>
	<u>63,497</u>	<u>91,205</u>

14 COMMITMENTS

At 30 June 2006, the Group had commitments in respect of development expenditure not provided for as follows:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Contracted for	8,309	7,688
Authorised but not contracted for	—	—
	<u>8,309</u>	<u>7,688</u>

15 CONTINGENT LIABILITIES

- At 30 June 2006, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (31 December 2005: HK\$8,252,000).
- At 30 June 2006, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and an associate amounted to HK\$134,347,000 (31 December 2005: HK\$134,347,000) and HK\$72,527,000 (31 December 2005: HK\$69,077,000) respectively.
- At 30 June 2006, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK\$35,105,000 (CA\$5,000,000) (31 December 2005: HK\$33,435,000 (CA\$5,000,000)).

16 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions.

During the period, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which held 28% of the issued shares of the Company at 30 June 2006:

- Amounts due to an affiliated company represent the amounts due to Goodland of HK\$21,991,000 at 30 June 2006 (2005: HK\$26,339,000) which comprise:
 - interest bearing current accounts with certain subsidiaries amounting to HK\$894,000 at 30 June 2006 (31 December 2005: HK\$1,552,000). The interest charge for the period ended 30 June 2006 payable by the subsidiaries was HK\$42,000 (2005: HK\$33,000).
 - non-interest bearing accounts with certain subsidiaries amounting to HK\$21,097,000 at 30 June 2006 (31 December 2005: HK\$24,787,000).
- Loan from an affiliated company represents an interest-free loan to a subsidiary made by Goodland during the period ended 30 June 2006 amounting to HK\$28,766,000 (31 December 2005: HK\$43,161,000), which is unsecured and payable on demand.

16 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (iii) Loans from minority shareholders classified under non-current liabilities at 30 June 2006 include amounts due to Goodland of HK\$55,276,000 in nominal value (31 December 2005: HK\$67,923,000), which are unsecured, non-interest bearing, and payable on 30 April 2010.
- (iv) A subsidiary of the Company rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$337,841 for the period ended 30 June 2006 (2005: HK\$506,000).
- (v) Certain subsidiaries of the Company paid to Goodland management fees amounting to HK\$1,602,000 (2005: HK\$1,836,000) for the period ended 30 June 2006.
- (vi) A subsidiary of the Company incurred building construction costs payable to Goodland in respect of the development of certain Ocean Gardens projects amounting to HK\$2,000,000 for the period ended 30 June 2006 (2005: HK\$20,000,000).
- (vii) The Company, Goodland, Larch Management Incorporated and AKAA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary of the Company.

A term loan facility of up to an aggregate principal amount of US\$3,800,000 (approximately HK\$29,484,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between the subsidiary and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at the subsidiary's option. It is intended that the subsidiary will choose whichever the lower interest rate is on an interest payment date.

Messrs Ho Kian Guan and Ho Kian Hock, also directors of Goodland, each have a 1/3 indirect interest in Goodland and they are deemed to be interested in the aforesaid transactions.

17 COMPARATIVE FIGURES

The turnover, cost of sales, depreciation and amortisation, and direct operating expenses for the six months ended 30 June 2005 have been restated in order to show the slot machine income on a gross basis to conform with the current period's presentation.