NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

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 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 principal subsidiaries are set out in note 42.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), Hong Kong Accounting Standards ("HKAS"s) and Interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005, except for HKFRS 3 "Business combination", HKAS 36 "Impairment of assets" and HKAS 38 "Intangible assets" for which the Group had early adopted in the previous year. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have effects on how the results for the current or prior accounting periods are prepared and presented:

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based payment" ("HKFRS 2") which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of the share options of the Company granted to participants thereunder including the directors and eligible employees of the Group, which are calculated with reference to the market value of shares at the date of grant. Prior to the application of HKFRS 2, no share options were granted by the Company and accordingly, no retrospective restatement is required.

The adoption of HKFRS 2 has had a significant impact on the results of operations and financial position of the Group for the current year. An amount of approximately HK$3,964,000 representing the fair value of share options granted in August 2005, which vested immediately at the date of grant, was charged to the consolidated income statement during the year, with an corresponding increase in share option reserve of approximately HK$3,964,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Hotel properties

Hong Kong Interpretation 2 "The appropriate accounting policies for hotel properties" ("HK INT 2") clarifies the accounting policy for owner-operated hotel properties. In previous years, depreciation is provided to write off the carrying value of leasehold land over the unexpired term of the lease. No depreciation is provided in respect of hotel buildings erected on leasehold land with an unexpired term of more than 20 years. HK INT 2 requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, plant and equipment", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the cost model.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. The implementation of HKAS 32 has had no material impact on the results for the current and prior years. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 39 is summarised below.

Financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial liabilities are classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". Other financial liabilities are carried at cost using effective interest method.

Prior to the application of HKAS 39, amounts due to minority shareholders of a subsidiary were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities be measured at fair value on the initial recognition. Such amounts due to minority shareholders of a subsidiary are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. The change in accounting policy has resulted in a reduction of the carrying amount of amounts due to minority shareholders of a subsidiary as at 1st April, 2005 by approximately HK$21,077,000 and an increase of minority interests as at 1st April, 2005 by approximately HK$21,077,000. The effect of the change (including further advances from the minority shareholders of a subsidiary in the current year) on the results for the year was to increase finance costs by approximately HK$19,898,000, out of which an amount of approximately HK$11,491,000 had been capitalised in property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings under development were included in property under development and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases" ("HKAS 17"). Under HKAS 17, the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively.

As a result of the adoption of HKAS 17, the land element previously recorded in property under development amounting to approximately HK$43,532,000 was redesignated as "prepaid lease payments" as at 1st April, 2004.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise.

Deferred taxes related to investment properties

In the current year, the Group has applied Hong Kong Standard Interpretations Committee Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets" ("HK(SIC) Interpretation 21") which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred taxation consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SUMMARY OF THE EFFECTS OF THE APPLICATION OF NEW ACCOUNTING POLICIES

The effects of the application of new accounting policies described above on the results for the current year are as follows:

	2006
	HK$'000
Fair value change in investment properties	**392,368**
Depreciation	**(61)**
Share option expense	**(3,964)**
Imputed interest expense on amounts due to minority shareholders of a subsidiary (after deduction of amount capitalised in property, plant and equipment)	**(8,407)**
Deferred taxation related to investment properties	**(47,084)**
Increase in profit for the year	**332,852**
Attributable to:	
Equity holders of the Company	**126,676**
Minority interests	**206,176**
	332,852

The application of the new HKFRSs has no effect on 1st April, 2004. The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005	Retrospective adjustments	As at 31st March 2005	Opening adjustments	As at 1st April, 2005
	HK$'000 (Originally stated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Balance sheet items					
Prepaid lease payments	–	42,479	42,479	–	42,479
Property under development	360,298	(42,479)	317,819	–	317,819
Amounts due to minority shareholders of a subsidiary	(180,000)	–	(180,000)	21,077	(158,923)
Total effects on assets and liabilities		–		21,077	
Minority interests	(451)	–	(451)	21,077	20,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

3. SUMMARY OF THE EFFECTS OF THE APPLICATION OF NEW ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate the application of these new standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the principal accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or 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 significant inter-company transactions and balances within the Group have been 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's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

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 cash-generating unit 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 the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment properties

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

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 the disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement in the year in which the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Property under development

Property under development is stated at cost less any identified impairment loss. Cost comprises the cost of acquisition of the property under development together with direct costs attributable to the development of the property and borrowing costs capitalised during the period of development.

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 capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Other assets

Other assets are stated at cost less any identified impairment loss.

Impairment of assets (other than goodwill)

At each balance sheet date, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (other than goodwill) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, 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 (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories represent food and beverage, consumable and other goods of hotel and cruise 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 on the balance sheet 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 are mainly classified into loans and receivables. The accounting policies adopted in respect of loans and receivables are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and amount due from a related company) are carried at amortised cost using the effective interest method, less any identified impairment loss. 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 assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed that the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 specific financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities (including trade and other payables, 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.

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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet when, and only when they are extinguished (i.e. 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 is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for revenue earned in the normal course of business and include the following items.

Revenue from gaming operations is recognised when the relevant services have been rendered.

Revenue from room rental, food and beverage sales and other ancillary services in the hotel and on the cruise are recognised when the relevant services have been rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income represents fixed rental and contingent rental at a percentage of profit of the lessee. Contingent rental is recognised as income in the periods in which it is earned. Fixed rental is recognised as income on a straight line basis over the terms of the relevant leases.

Service income is recognised when the services are provided.

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

Sales of properties are recognised when unconditional sale and purchase agreements have been signed during the year and legal completion of the transactions takes place prior to the approval of the financial statements.

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 income statement 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 and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 its 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation 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 differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

All other leases are classified as operating leases and the annual rental receipts or payments are credited or charged to the consolidated income statement on a straight line basis over the term of the relevant leases.

Retirement benefit costs

Payments to retirement benefit schemes other than the costs attributable to the development of the properties, which are capitalised as part of the cost of qualified assets, are charged as an expense as they fall due.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following 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 balance sheet date, 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.

Classification of amounts due to minority shareholders of a subsidiary

In note 30, the Group has classified the amounts due to minority shareholders under non-current liabilities. According to the shareholders' agreements, these amounts are repayable only when the indirectly 45% owned subsidiary, Luck United Holdings Limited, 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. In the opinion of the directors of the Company, as these subsidiaries only commenced business in January 2006 and based on cashflow forecasts, these subsidiaries are not expected to generate surplus fund in the next twelve months to repay the amounts due to minority shareholders.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Depreciation and amortisation

The Group's carrying amount of property, plant and equipment as at 31st March, 2006 was HK$1,008,022,000. The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method, commencing from the date the property, plant or equipment is placed into productive use. The estimated useful lives and dates that the Group places the property, plant or equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimated impairment of goodwill

In note 22, determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amount due from a related company, bank balances and cash, trade and other payables, amounts due to related companies, amounts due to minority shareholders of a subsidiary and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Certain trade and other receivables, trade and other payable, and bank balances of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) Cash flow interest rate risk

The Group is exposed to the cash flow interest rate risk through the impact of rate changes on interest bearing financial liability which relates to its variable-rate bank borrowings. The Group currently does not have any 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.

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, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise 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 each balance sheet date 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.

Credit risk is concentrated as a substantial portion of its revenue is generated from a few customers. However, the management closely monitors the recoverable amount of each individual trade debt, and there is no significant credit risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

7. REVENUE

	2006	2005
	HK$'000	*HK$'000*
An analysis of the Group's revenue is as follows:		
Hotel and gaming operations		
Service income from VIP room	**117,541**	–
Service income from mass market	**34,993**	–
Service income from slot machine hall	**6,098**	–
Hotel room rental income	**12,732**	–
Marketing and promotion income	**16,766**	–
Food and beverage sales	**8,605**	–
Other rental income	**9,026**	–
Others	**2,140**	–
	207,901	–
Cruise and cruise related operations		
Rental income from gaming hall	**135,019**	17,882
Food and beverage sales	**1,217**	100
Room rental income	**433**	41
Others	**1,226**	213
	137,895	18,236
	345,796	18,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

8. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined business segments to be presented as the primary reporting format and geographical segments as the secondary reporting format. Analysis of the Group's business and geographical segmental information are as follows:

Business segments

	2006				
	Hotel and gaming operations *HK$'000*	Cruise and cruise related operations *HK$'000*	Property sales and development *HK$'000*	Unallocated corporate items *HK$'000*	Total *HK$'000*
REVENUE	207,901	137,895	–	–	345,796
RESULTS					
Segment results	386,466	49,382	(2,561)	(14,488)	418,799
Interest income					2,438
Finance costs					(11,084)
Profit before taxation					410,153
Taxation					(51,886)
Profit for the year					358,267
BALANCE SHEET					
Assets					
Segment assets	1,999,333	150,818	388,150	164,395	2,702,696
Liabilities					
Segment current liabilities	216,656	6,057	143	498	223,354
Amounts due to related companies	76,863	242	–	67,796	144,901
Amounts due to minority shareholders of a subsidiary	479,296	–	–	–	479,296
Deferred taxation					52,617
Unallocated corporate liabilities					293,435
					1,193,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

8. SEGMENT INFORMATION (continued)

Business segments (continued)

	2006				
	Hotel and gaming operations	Cruise and cruise related operations	Property sales and development	Unallocated corporate items	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION					
Additions to property under development, property, plant and equipment, prepaid lease payments and other assets	1,246,000	6,596	–	–	1,252,596
Release of prepaid lease payments	1,616	–	–	–	1,616
Depreciation of property, plant and equipment	15,921	5,936	19	–	21,876
Write-off of property, plant and equipment	–	4	16	–	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March, 2006

8. SEGMENT INFORMATION (continued)
Business segments (continued)

	2005				
	Hotel and gaming operations	Cruise and cruise related operations	Property sales and development	Unallocated corporate items	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	–	18,236	–	–	18,236
RESULTS					
Segment results	(956)	6,071	17,221	(5,027)	17,309
Interest income					361
Finance cost					(509)
Profit before taxation					17,161
Taxation					–
Profit for the year					17,161
BALANCE SHEET					
Assets					
Segment assets	365,070	138,895	379,955	390,282	1,274,202
Liabilities					
Segment current liabilities	5,862	6,966	343	914	14,085
Amount due to a related company	18,005	–	–	–	18,005
Amounts due to minority shareholders of a subsidiary	180,000	–	–	–	180,000
Deferred taxation					5,533
					217,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

8. SEGMENT INFORMATION (continued)

Business segments (continued)

	2005				
	Hotel and gaming operations	Cruise and cruise related operations	Property sales and development	Unallocated corporate items	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION					
Additions to property under development, property, plant and equipment, other assets and goodwill	27,382	134,052	18,469	–	179,903
Deposits made on acquisition of a subsidiary	196,757	–	–	–	196,757
Depreciation of property, plant and equipment	–	944	7	–	951
Write-off of property, plant and equipment	–	–	14	–	14
Goodwill charged to the consolidated income statement	71	7	–	–	78

Geographical segments

	Revenue	
	2006	2005
	HK$'000	*HK$'000*
Macau	**207,901**	–
International waters	**135,019**	17,882
Hong Kong	**2,876**	354
	345,796	18,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

8. SEGMENT INFORMATION (continued)

Geographical segments (continued)

	Carrying amount of segment assets		Additions to property under development, property, plant and equipment, prepaid lease payments, other assets and goodwill	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Macau	**2,159,394**	229,758	**1,246,000**	27,382
Mainland China	**388,633**	379,956	**–**	18,469
Hong Kong	**8,449**	528,570	**2,187**	146
Other Asia Pacific areas, including international waters	**146,019**	135,591	**4,409**	133,906
Other areas	**201**	327	**–**	–
	2,702,696	1,274,202	**1,252,596**	179,903

9. REVERSAL OF ALLOWANCE FOR DEPOSIT PAID FOR THE PURCHASE OF PROPERTIES

In prior year, the Group obtained judgment against Chongqing Hong Tai Property Development Co., Ltd. ("Hong Tai") for failure to complete and deliver vacant possession of certain units and car parking spaces (collectively referred to as the "Properties") purchased by the Group in Hong Tai Building, Chongqing, the People's Republic of China (the "PRC"). Hong Tai was ordered to deliver the Properties or to refund the deposit paid by the Group in the sum of RMB29.05 million (approximately HK$25.9 million) together with accrued interests to the Group. The Group had recovered part of the deposit paid in the sum of approximately RMB16.2 million (approximately HK$15,168,000), leading to the reversal of allowance for the same amount previously made in respect of the deposit paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

10. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interests on:		
– bank borrowings not wholly repayable within five years	4,251	–
– amount due to a related company	1,015	509
– Imputed interest expense on amounts due to minority shareholders of a subsidiary	19,898	–
Total borrowing costs	25,164	509
Add: Bank charges	450	–
Less: Interests and bank charges included in the cost of qualified assets	(14,530)	–
	11,084	509

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation of 3.6% to expenditure on such assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

11. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	**2,442**	690
Depreciation of property, plant and equipment	**21,876**	951
Goodwill charged to the consolidated income statement and included in administrative expenses	**–**	78
Operating lease rentals in respect of		
– rented premises	**2,882**	68
– equipment	**30**	–
Release of prepaid lease payments	**1,616**	–
Staff costs, including directors' remuneration and retirement benefit scheme contributions *(note 12)*	**77,622**	5,792
Write-off of property, plant and equipment	**20**	14
and after crediting:		
Interest income from:		
– bank and other deposits	**2,438**	6
– a minority shareholder of a subsidiary	**–**	355
Negative goodwill credited to the consolidated income statement	**63**	–
Reversal of allowance for amount due from a minority shareholder of a subsidiary	**–**	2,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	Ms. Luk Siu Man, Semon	Mr. Wong Chi Fai	Ms. Fan Man Seung, Vanessa	Ms. Mok Fung Lin, Ivy	Ms. Chan Sim Ling, Irene	Ms. Chan Wiling, Yvonne	Ms. Wan Choi Ha	Mr. Lam San Keung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006									
Fees	–	100	100	100	100	95	–	148	643
Other emoluments									
Salaries and other benefits	–	–	–	–	–	–	–	–	–
Performance related incentive payments *(note)*	–	–	372	–	–	–	–	–	372
Share-based payments	–	1,982	1,982	–	–	–	–	–	3,964
	–	2,082	2,454	100	100	95	–	148	4,979

	Ms. Luk Siu Man, Semon	Mr. Wong Chi Fai	Ms. Fan Man Seung, Vanessa	Ms. Mok Fung Lin, Ivy	Ms. Chan Sim Ling, Irene	Ms. Chan Wiling, Yvonne	Mr. Lam San Keung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005								
Fees	–	100	100	100	100	–	100	500
Other emoluments								
Salaries and other benefits	–	–	1,500	–	–	–	–	1,500
	–	100	1,600	100	100	–	100	2,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(ii) Employees' emoluments

During the year, the five highest paid individuals included two directors (2005: five directors). The total emoluments of the remaining three (2005: nil) highest paid individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**2,570**	–
Bonuses	**2,325**	–
	4,895	–

	Number of individuals	
	2006	2005
Emoluments of the employees were within the following bands:		
HK$1,000,001 – HK$1,500,000	**2**	–
HK$2,500,001 – HK$3,000,000	**1**	–

During the year, a non-refundable amount of HK$350,000 (2005: nil) was recognised' which amount was paid by the Group to one (2005: nil) of the five highest paid individuals (including directors) as an inducement to join the Group. 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 emolument during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(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 were members of state-managed retirement benefit schemes operated by the Macau and PRC government. The Group was required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme was to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions were approximately HK$396,000 (2005: HK$33,000).

13. TAXATION

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Macau Complimentary Income Tax	**4,870**	–
PRC Enterprise Income Tax		
– overprovision in prior years	**(68)**	–
Deferred taxation *(note 31)*	**47,084**	–
	51,886	–

The Macau Complimentary Income Tax is calculated progressively at a maximum of 12% of the estimated assessable profits for the year. The PRC Enterprise Income Tax is calculated at the rates prevailing in the PRC.

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

13. TAXATION (continued)

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

	2006 HK$'000	2005 HK$'000
Profit before taxation	**410,153**	17,161
Tax charge at the Macau Complimentary Income Tax rate of 12% (2005: at Hong Kong Profits Tax rate of 17.5% *(note)*)	**49,218**	3,003
Tax effect of expenses that are not deductible for tax purpose	**13,501**	1,716
Tax effect of income that is not taxable for tax purpose	**(16,587)**	(6,435)
Tax effect of tax losses not recognised	**5,894**	1,722
Overprovision in prior years	**(25)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(43)**	–
Others	**(72)**	(6)
Taxation for the year	**51,886**	–

Note: The Macau Complimentary Income Tax rate of 12% is the domestic tax rate in jurisdiction where the operation of the Group is substantially based. The Hong Kong Profits Tax rate of 17.5% was the domestic tax rate in jurisdiction in previous year where the operation of the Group was substantially based.

14. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Interim paid: HK1.0 cent per share (2005: nil)	**9,288**	–
Final proposed: HK2.0 cents per share (2005: nil)	**18,575**	–
	27,863	–

The Board of Directors declared the payment of final dividend of HK2.0 cents per share for the year ended 31st March, 2006 and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

15. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are as follows:

	2006	2005
	HK$'000	HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share	166,794	17,596

	Number of shares	
	2006	2005
Number of shares for the purpose of calculating basic earnings per share	928,771,980	367,647,583
Effect of dilutive potential shares – share options	616,303	
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	929,388,283	

Changes in the Group's accounting policies during the year are described in detail in notes 2 and 3. To the extent that those changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following total summarises that impact on earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006	2005	2006	2005
	HK$	HK$	HK$	HK$
Earnings per share before adjustments	0.04	0.05	0.04	N/A
Adjustments arising from changes in accounting policies *(note 3)*	0.14		0.14	
Earnings per share, as reported/restated	0.18		0.18	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

16. INVESTMENT PROPERTIES

	2006	2005
	HK$'000	*HK$'000*
FAIR VALUE		
At the beginning of the year	–	–
Transfer from property, plant and equipment	117,732	–
Fair value change	392,368	–
At the end of the year	510,100	–

The investment properties are situated in Macau and held under medium-term leases. The Group's property interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the investment properties in Macau as at 31st March, 2006 has been arrived at on the basis of a valuation carried out at that date by Savills Consultancy Limited, an independent firm of professional property valuers not connected with the Group. Savills Consultancy Limited has appropriated qualification and recent experiences in the valuation of similar properties in the relevant locations, on an open market value basis. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

Details of investment properties as at 31st March, 2006 are set out on page 90.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property	Leasehold improvement	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Vessel	Others	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST									
At 1st April, 2004	–	–	301	–	469	–	–	–	770
Additions	–	151	837	–	–	133,156	–	–	134,144
Disposals	–	–	(128)	–	–	–	–	–	(128)
At 1st April, 2005	–	151	1,010	–	469	133,156	–	–	134,786
Currency realignment	–	1	4	–	13	–	–	–	18
Acquired on acquisition of a subsidiary	–	–	–	–	–	–	–	367,568	367,568
Transfer from other assets	–	–	–	–	–	–	–	34,881	34,881
Additions	–	20,537	212,196	94,362	780	–	9,711	274,344	611,930
Transfer	559,061	–	–	–	–	–	–	(559,061)	–
Transfer to investment properties	–	–	–	–	–	–	–	(117,732)	(117,732)
Disposals	–	–	(165)	–	–	–	–	–	(165)
At 31st March, 2006	**559,061**	**20,689**	**213,045**	**94,362**	**1,262**	**133,156**	**9,711**	**–**	**1,031,286**
DEPRECIATION									
At 1st April, 2004	–	–	260	–	422	–	–	–	682
Provided for the year	–	4	30	–	–	917	–	–	951
Eliminated on disposals	–	–	(114)	–	–	–	–	–	(114)
At 1st April, 2005	–	4	176	–	422	917	–	–	1,519
Currency realignment	–	–	3	–	11	–	–	–	14
Provided for the year	3,484	634	9,162	2,515	91	5,504	486	–	21,876
Eliminated on disposals	–	–	(145)	–	–	–	–	–	(145)
At 31st March, 2006	**3,484**	**638**	**9,196**	**2,515**	**524**	**6,421**	**486**	**–**	**23,264**
CARRYING AMOUNT									
At 31st March, 2006	**555,577**	**20,051**	**203,849**	**91,847**	**738**	**126,735**	**9,225**	**–**	**1,008,022**
At 31st March, 2005	–	147	834	–	47	132,239	–	–	133,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

17. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the Group acquired a subsidiary which owns a property in Macau. The construction work of the property has been completed in the current year and is partly transferred to investment properties and partly to property, plant and equipment.

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

Hotel property	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Leasehold improvement	10 – 20%
Furniture, fixtures and equipment	10 – 20%
Plant and machinery	10 – 20%
Motor vehicles	20%
Vessel	5%
Others	20%

The hotel property is located in Macau. The balance shown includes capitalised interest of approximately HK$14,530,000 as at 31st March, 2006.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Leasehold land in Macau under medium-term lease	**278,513**	–
Leasehold land in the PRC under medium-term lease	**42,511**	42,479
	321,024	42,479
Analysed for reporting purposes as follows:		
Non-current	**313,453**	41,401
Current	**7,571**	1,078
	321,024	42,479

Under HKAS 17, the land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification. In the current year, the Group has reclassified an approximately HK$43,532,000 land from property under development to prepaid lease payments as at 1st April, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

19. PROPERTY UNDER DEVELOPMENT

	HK$'000
At 1st April, 2004	
– as originally stated	360,034
– effect of changes in accounting policies *(note 2)*	(43,532)
– as restated	316,502
Currency realignment	163
Additions	76
Release of prepaid lease payments capitalised	1,078
At 31st March, 2005	317,819
Currency realignment	7,774
Release of prepaid lease payments capitalised	1,106
At 31st March, 2006	**326,699**

The property under development is situated in the PRC and is held under a land use right (the "Land") for a term of 50 years from 9th August, 1994. Included in property under development as at 31st March, 2006 is net interest capitalised of approximately HK$21,372,000 (2005: HK$21,372,000). No further interest was capitalised in 2005 and 2006.

On 26th May, 2004, the Group entered into a joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co., Ltd. ("JV Partner") to jointly develop the Land. Under the JV Agreement, the Group would provide the Land, the JV Partner would bear the full construction cost and the floor area would be split between the parties in equal shares. The Group and the JV Partner intended to develop the property into a commercial complex. The Group has an option to put its interest in the development project to the JV Partner at a consideration of HK$530 million ("Put option"). The option period is between (i) 18 months from the JV Partner taking possession of the Property and (ii) 30 months from the JV Partner taking possession of the Property or completion of the decoration of the common areas of the Property, whichever is the later (both months inclusive). The option period will be the only restriction for the Group to exercise its right under the Put Option. The Group intends to settle the JV Agreement by delivering the property under development if the Group exercises its option and there is no past practice of net settlement.

Details of property under development as at 31st March, 2006 are set out on page 90.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

20. DEPOSITS MADE ON ACQUISITION OF A SUBSIDIARY

The amount as at 31st March, 2005 represented deposits paid for acquisition of a subsidiary in Macau. The acquisition was completed during the year.

21. OTHER ASSETS

	2006	2005
	HK$'000	*HK$'000*
At the beginning of the year	**27,382**	–
Acquired upon acquisition of a subsidiary	**–**	12,562
Additions	**7,499**	14,820
Transfer to property, plant and equipment	**(34,881)**	–
At the end of the year	**–**	27,382

On 3rd November, 2004, the Group signed an agreement which indirectly enabled the Group to acquire a property in Macau and the agreement was completed in May 2005 (see note 36). Details of which were set out in a circular to the shareholders of the Company dated 10th December, 2004. Other assets represented the renovation costs incurred on the property from 3rd November, 2004 up to 3rd May, 2005. The amount has been transferred to property, plant and equipment on completion date.

22. GOODWILL

	HK$'000
COST	
At 1st April, 2004	–
Arising on acquisition of additional interests in a subsidiary	18,301
At 31st March, 2005 and 31st March, 2006	18,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

22. GOODWILL (continued)

As at 31st March, 2005 and 31st March, 2006, the carrying amount of goodwill had been allocated to the CGU for the property sales and development.

The recoverable amounts of the CGU is determined from value in use calculations. The value in use calculations use cash flow projections based on financial budgets prepared by the management. The key assumptions for the value in use calculations are those regarding the discount rates, growth in revenue and direct costs during the period. The management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The Group prepares cashflow forecasts derived from the most recent financial budgets approved by management for the next three years at a discount rate of 8%.

During the year, the Group performed impairment review for goodwill and considered no impairment loss was necessary.

23. TRADE AND OTHER RECEIVABLES

The Group allows credit periods of up to 60 days to its trade customers. An aged analysis of the Group's trade receivables at the balance sheet date is set out below:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**185,121**	–
31 – 60 days	**7,575**	–
61 – 90 days	**4,844**	–
	197,540	–
Chips on hand	**102,816**	–
Other receivables	**23,428**	4,952
	323,784	4,952

Chips on hand represent chips issued by a gaming concessionaire in Macau. The directors of the Company consider that the carrying amount of trade and other receivables approximates to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

24. AMOUNT DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company is as follows:

Name of related company	Balance as at 31st March, 2006 HK$'000	Balance as at 1st April, 2005 HK$'000	Maximum amount outstanding during the year HK$'000
Coprosper Investments Limited *(note (a))*	**11,347**	–	**11,819**
Golden Princess Holdings Limited *(note (b))*	**–**	1,146	**1,146**
	11,347	1,146	

The amount is unsecured, interest-free and repayable on demand.

Notes:

(a) Coprosper Investments Limited was 28% held by Redmond Nominees Limited, a company wholly owned by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a deemed substantial shareholder of the Company.

(b) Golden Princess Holdings Limited (currently known as "Bisley International Holdings Limited") was an indirect wholly-owned subsidiary of Gain Wealth Investments Limited, which in turn was held by Perpetual Wealth Investments Limited on trust for The A&S Unit Trust, a trust set up by Mr. Albert Yeung. The amount was fully repaid during the year.

The directors of the Company consider that the carrying amount of amount due from a related company approximates to its fair value.

25. BANK BALANCES AND CASH

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.

The directors of the Company consider that the carrying amount of bank balances and cash approximates to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

26. TRADE AND OTHER PAYABLES

An aged analysis of the Group's trade payables at the balance sheet date is set out below:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**43,243**	3,163
31 – 60 days	**1,708**	466
61 – 90 days	**284**	–
91 – 180 days	**129**	–
	45,364	3,629
Short-term advances	**45,000**	–
Other payables	**132,990**	10,456
	223,354	14,085

Short-term advances are unsecured, interest-free and repayable on demand.

The directors of the Company consider that the carrying amount of trade and other payables approximates to its fair value.

27. AMOUNTS DUE TO RELATED COMPANIES

	2006	2005
	HK$'000	*HK$'000*
Interest bearing at prevailing market rates ranged from 7.75% to 8% per annum *(note (a))*	**66,781**	–
Interest-free amount *(note (a))*	**5,529**	–
Interest-free amount *(note (b))*	**72,591**	–
	144,901	–

Notes:

(a) The amounts are due to subsidiaries of Emperor International Holdings Limited, a substantial shareholder of the Company.

(b) The amounts are due to companies in which Mr. Albert Yeung has significant influence or is deemed to have significant influence.

The amounts are unsecured and repayable on demand. The directors of the Company consider that the carrying amount of amounts due to related companies approximates to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

28. SECURED BANK BORROWINGS

	2006	2005
	HK$'000	HK$'000
The bank borrowings are repayable as follows:		
Within one year	37,046	–
Between one to two years	39,000	–
Between two to three years	41,145	–
Between three to four years	43,375	–
Between four to five years	45,726	–
Over five years	82,273	–
	288,565	–
Less: Amounts due within one year shown under current liabilities	(37,046)	–
Amounts due after one year	251,519	–

The bank borrowings carried interest at HIBOR plus 0.85% ranging from 3.0 % to 5.3% per annum and are secured by certain of the Group's assets. The carrying values of these assets at the balance sheet date are as follows:

	2006	2005
	HK$'000	HK$'000
Hotel property	555,577	–
Investment properties	510,100	–
Prepaid lease payments	278,513	–
	1,344,190	–

The directors of the Company consider that the carrying amount of bank borrowings approximates to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

29. AMOUNT DUE TO A RELATED COMPANY

In 2005, the amount was due to a company in which Mr. Albert Yeung had significant influence or was deemed to have significant influence. The amount was unsecured, interest-free and had no fixed repayment terms of repayment.

The related company had agreed not to demand repayment of the amount until the Group was financially capable to do so. Accordingly, the amount was shown as non-current.

30. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

In accordance with the contractual terms, the amounts are unsecured and interest-free. As described in note 2, on adoption of HKAS 39, interest on these advances have been computed at an effective interest rate of 5% and a projection on the timing of realisation of surplus fund which represents cash available in the indirectly 45% owned subsidiary, Luck United Holdings Limited, 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. According to the shareholders' agreements, the amounts are repayable only when these subsidiaries have surplus fund. In the opinion of the directors of the Company, as these subsidiaries only commenced business in January 2006 and based on cashflow forecasts, these subsidiaries are not expected to generate surplus fund in the next twelve months to repay the amounts due to minority shareholders. Accordingly, the amounts are shown as non-current.

The directors of the Company consider that the fair value of amounts due to minority shareholders of a subsidiary at balance sheet date, determined based on the present value of the estimated future cash outflows discounted using the prevailing market rate at the balance sheet date, approximates to its carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

31. DEFERRED TAXATION

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

	Accelerated tax depreciation	Development costs capitalised	Fair value change in investment properties	Impairment loss recognised in respect of property under development	Pre-operating expenses written off	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	–	(5,533)	–	5,533	–	–	–
Charged to the consolidated income statement	–	–	–	(5,533)	–	–	(5,533)
At 31st March, 2005	–	(5,533)	–	–	–	–	(5,533)
(Charged) credited to the consolidated income statement	(4,872)	–	(47,084)	–	4,624	248	(47,084)
At 31st March, 2006	**(4,872)**	**(5,533)**	**(47,084)**	**–**	**4,624**	**248**	**(52,617)**

For the purpose of balance sheet presentation, deferred taxation assets and liabilities have been offset.

As at 31st March, 2006, the Group had unused tax losses of approximately HK$172,450,000 (2005: HK$121,973,000) available for offset against future profits. A deferred taxation asset has been recognised in respect of approximately HK$1,420,000 (2005: nil) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK$171,030,000 (2005: HK$121,973,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$5,588,000 (2005: nil) that will expire in 2009. Other losses may be carried forward indefinitely. The Group had no other significant unprovided deferred taxation at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

32. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1st April, 2004	200,000,000,000	200,000
Increase in shares upon Share Subdivision *(note (b))*	1,800,000,000,000	–
Ordinary shares of HK$0.0001 each at 31st March, 2005 and 31st March, 2006	2,000,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.001 each at 1st April, 2004	11,006,883	11
Increase in shares upon the Placing *(note (a))*	2,200,000	2
Increase in shares upon the Share Subdivision *(note (b))*	118,861,947	–
Increase in shares upon the Rights Issue *(note (c))*	660,344,150	66
Increase in shares upon the Subscription *(note (d))*	31,950,000	3
Increase in shares upon the Allotment of Shares *(note (e))*	104,409,000	11
Ordinary shares of HK$0.0001 each at 31st March, 2005 and 31st March, 2006	928,771,980	93

Notes:

(a) On 16th November, 2004, the Company entered into a placing agreement with an independent placing agent to place and issue in aggregate 2,200,000 new shares of HK$0.001 each of the Company at the price of HK$10.00 per share ("Placing"). The Placing was completed on 6th December, 2004. The Company planned to use the proceeds for general working capital of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

(b) On 3rd January, 2005, a resolution was passed at the special general meeting of the Company pursuant to which every issued and unissued share of HK$0.001 each of the Company was subdivided into ten shares of HK$0.0001 each ("Share Subdivision"). The new subdivided shares rank pari passu in all respects with the then existing shares of the Company.

(c) On 3rd January, 2005, a resolution was passed at the special general meeting of the Company pursuant to which 660,344,150 rights shares of HK$0.0001 each were to be allotted in the proportion of five rights shares for every one subdivided share of HK$0.0001 each of the Company at the price of HK$0.68 per rights share ("Rights Issue"). The Rights Issue was completed on 21st January, 2005. The Company planned to use the proceeds for acquisition of 90% interests in a subsidiary and the business development of that subsidiary as well as for general working capital of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

32. SHARE CAPITAL (continued)

Notes: (continued)

(d) On 6th January, 2005, the Company entered into a subscription agreement with a minority shareholder of a subsidiary pursuant to which the Company agreed to allot and issue 31,950,000 new subdivided shares of HK$0.0001 each of the Company at the price of HK$2.88 per share ("Subscription"). The Subscription was completed on 7th February, 2006. The Company planned to use the proceeds for general working capital and future business development of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

(e) On 15th February, 2005, the Company allotted and issued 104,409,000 new subdivided shares of HK$0.0001 each of the Company at the price of HK$1.27 per share to Pleasure Road Profits Limited ("Pleasure Road") ("Allotment of Shares") as the consideration for acquisition of the vessel by the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

33. 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 grant 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$2.2 under the terms of the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

33. SHARE OPTION SCHEME (continued)

A summary of movements of the outstanding share options, which have been granted to certain directors of the Company under the Scheme, during the year is as follows:

Date of grant	Exercise period	Exercise price	Number of share options granted during the year and outstanding as at 31st March, 2006
		HK$	
11th August, 2005	11th August, 2005 to 10th August, 2015	2.2	10,000,000

The fair values of options granted were calculated using the Black-Scholes – Merton Option Pricing model. The inputs into the model are as follows:

Share price at date of grant	HK$1.96
Expected volatility	58.43%
Expected life in years	2
Risk free rate	3.707%
Expected dividend yield	Nil

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restitutions and behavioural considerations.

The fair value of each option was approximately HK$0.40 at the date of grant.

During the year, an amount of approximately HK$3,964,000 is recognised in the consolidated income statement in respect of the value of options granted (see note 2).

Notes:

(i) The volatility measured at the standard derivation of expected share price returns is based on a statistical analysis of daily share prices over certain periods preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

34. 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.

(c) Pursuant to a special resolution passed by the Company's shareholders in a special general meeting held on 2nd November, 2005, the amount as at 31st March, 2005 standing to the credit of the share premium account of the Company in the sum of approximately HK$1,254,982,000 was cancelled ("Share Premium Cancellation"). In addition, part of the credit arising from the Share Premium Cancellation was eliminated against the accumulated losses of the Company as at 31st March, 2005 in the sum of approximately HK$711,550,000 in full and the remaining balance of the credit arising therefrom in the sum of approximately HK$543,432,000 was credited to the contributed surplus account of the Company.

35. MINORITY INTERESTS

Included in minority interests as at 31st March, 2006 is an imputed interest of approximately HK$90,602,000 arising from certain loans from the minority shareholders of a subsidiary which agreed to contribute interest-free shareholders' loans in accordance with their shareholdings (see note 30).

As at 31st March, 2005, minority interests represented their share of losses incurred by the subsidiaries up to the extent of the shareholders' loans which can be used to make good their share of the losses.

36. PURCHASE OF SUBSIDIARIES

In May 2005, the Group acquired property, plant and equipment and prepaid lease payments in Macau through acquisition of the entire issued share capital of Pacific Strong Bases (Holding) Company Limited at a consideration of approximately HK$652,006,000. The acquisition has been recorded as purchase of assets.

In December 2005, the Group acquired 100% of the issued share capital of Emerald Star Properties Limited through an indirectly 90% owned subsidiary, Nova Strategic Limited, at a consideration of approximately HK$2,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

36. PURCHASE OF SUBSIDIARIES (continued)

In January 2005, the investment in unlisted shares in Great Assets Holdings Limited ("Great Assets") and its subsidiaries were reclassified as interest in subsidiaries as the other shareholder of Great Assets transferred the power to appoint directors to the Group at nil consideration (see note 41(d)). In addition, in February 2005, the Group acquired 100% of the issued share capital of Ever Discovery Limited, Everjoyce Limited and Golden Princess Cruise Limited at a total consideration of approximately HK$500,000.

	2006 Book value and fair value	2005 Book value and fair value
	HK$'000	*HK$'000*
Net assets acquired:		
Deposits made for acquisition of a subsidiary	**–**	196,757
Other assets	**–**	12,562
Amount due from a related company	**–**	500
Bank balances and cash	**74**	153,382
Trade and other payables	**(2)**	(2,754)
Amount due to the holding company	**–**	(180,046)
Amounts due to minority shareholders of a subsidiary	**(132)**	(180,000)
Minority interests	**7**	21
	(53)	422
Assignment of shareholders' loans	**118**	162,041
Goodwill charged to the consolidated income statement	**–**	78
Negative goodwill credited to the consolidated income statement	**(63)**	–
Total consideration	**2**	162,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March, 2006

36. PURCHASE OF SUBSIDIARIES (continued)

	2006 Book value and fair value *HK$'000*	2005 Book value and fair value *HK$'000*
Satisfied by:		
Reclassification from investment in unlisted shares	**–**	162,041
Cash	**2**	500
	2	162,541
Analysis of net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration	**(2)**	(500)
Bank balances and cash acquired	**74**	153,382
	72	152,882

The subsidiaries acquired in 2005 and 2006 did not have significant contribution to the Group's revenue and results for the year.

Pro forma Group's revenue and results

There is no material impact in the Group's revenue and results for the year if the acquisition of the above companies had been completed on 1st April, 2005 as these companies only commenced business after being acquired by the Group.

In 2005, there was no material impact in the Group's revenue and results for the year if the acquisition of the companies had been completed on 1st April, 2004 as these companies were mainly inactive or in investment stage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

37. MAJOR NON-CASH TRANSACTIONS

(a) As settlement of part of the consideration for acquisition of the remaining 10% interests in Expert Pearl Investments Limited ("Expert Pearl"), an indirectly 90% owned subsidiary of the Company, from Star City Entertainment Holdings Limited ("Star City") through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City, the Group waived all liabilities of Star City in the principal sum of approximately HK$17,658,000 and all interest thereon of approximately HK$20,172,000, amounted in aggregate to approximately HK$37,830,000 owed to the Group as at 9th June, 2004.

(b) On 15th February, 2005, the Company allotted and issued 104,409,000 new shares of HK$0.0001 each of the Company at the price of HK$1.27 per share totalling approximately HK$132,599,000 to Pleasure Road as the consideration for acquisition of the vessel by the Group.

38. COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Authorised but not contracted for in respect of:		
– property and hotel development projects	**2,246**	431,984
– property, plant and equipment	**–**	124,549
	2,246	556,533
Contracted for but not provided in the consolidated financial statements, net of deposits paid, in respect of:		
– property and hotel development projects	**49,356**	80,789
– property, plant and equipment	**2,738**	13,641
– acquisition of a subsidiary	**–**	451,500
	52,094	545,930
	54,340	1,102,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

39. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,139**	407
In the second to fifth years inclusive	**2,098**	47
	5,237	454

The leases were negotiated for terms ranging from 1 to 3 years and the rentals are pre-determined and fixed.

The Group as lessor

During the year, the Group has contingent rentals received and receivable of approximately HK$25,519,000 (2005: HK$4,383,000). At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments in respect of the gaming hall in the vessel and the properties, which fall due as follows:

	Premises in the hotel property		**Gaming hall in the vessel**		**Other properties**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**38,513**	–	**120,000**	90,000	**276**	493
In the second to fifth years inclusive	**122,266**	–	**–**	–	**–**	535
After five years	**216,000**	–	**–**	–	**–**	–
	376,779	–	**120,000**	90,000	**276**	1,028

Certain premises in the Group's hotel property have committed tenants for the tenancy ranging from 1 to 14 years and the rentals are pre-determined and fixed. The gaming hall in the vessel has a committed tenant for 1 year and the rental included a pre-determined fixed portion and a contingent rental based on the net profit of the tenant's gaming operation. The other properties have committed tenants for the tenancy ranging from 1 to 2 years and the rentals are pre-determined and fixed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2006

40. CONTINGENT LIABILITY

As at 31st March, 2006, the Group had signed construction contracts for the property under development which is situated in the PRC on behalf of the JV Partner (see note 19). According to the JV Agreement, the JV Partner would bear the full construction cost. However, the Group has the legal obligations to fulfil the contracts if the JV Partner fails to fulfil its obligations. As at 31st March, 2006, the Group's maximum liability in this arrangement was approximately HK$431,476,000 (2005: nil) which represents contracted amounts but not yet paid by the JV Partner.

41. RELATED PARTY TRANSACTIONS

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

	2006	2005
	HK$'000	*HK$'000*
Acquisition of subsidiaries from a related company	**–**	500
Advertising expenses to related companies	**503**	–
Food and beverage income from a related company	**348**	–
Interest income from a minority shareholder of a subsidiary	**–**	355
Interest expense to a related company	**1,015**	509
Management fee expenses to related companies	**417**	342
Professional fee expenses to related companies	**1,045**	–
Purchase of inventories from a related company	**–**	1,523
Purchase of property, plant and equipment from a related company	**1,487**	750
Rental income from related companies	**135,268**	17,882
Rental expenses to a related company	**335**	–
Secretarial fee expenses to related companies	**380**	345
Service fee to Mr. Albert Yeung, a deemed substantial shareholder of the Company	**7,937**	–
Sharing of administrative expenses with a related company	**12,839**	–
Underwriting commission to a related company	**–**	2,106

Note: Certain directors and key management personnel of the Company have significant influence or are deemed to have significant influence in the above related company.

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For the year ended 31st March, 2006

41. RELATED PARTY TRANSACTIONS (continued)

(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 12.

(c) On 9th June, 2004, the Group completed the acquisition of the remaining 10% interests in Expert Pearl, a 90% owned subsidiary of the Group, from Star City through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City.

As consideration, the Group paid Star City HK$16,000,000 being the initial investment contributed by Star City to Expert Pearl, such payment was made to Future Gain Investments Limited, a related company of the Group, as directed by Star City, and the Group waived all liabilities of Star City in the principal sum of approximately HK$17,658,000 and all interest thereon of approximately HK$20,172,000, amounted in aggregate to approximately HK$37,830,000 owed to the Group as at 9th June, 2004.

(d) On 25th January, 2005, the Group completed the acquisition of 90% interests in Great Assets from Lion Empire Investments Limited ("Lion Empire"), a related company of the Group, through the acquisition of the 45 shares registered in the name of Lion Empire ("Sale Shares"), representing 90% of the entire issued share capital of Great Assets, and the 90% of all outstanding loans due from Great Assets to Lion Empire as at 25th January, 2005 which amounted to approximately HK$162,041,000 ("Sale Debt") (see note 36).

The consideration for the Sale Shares and the Sale Debt were US$45 (equivalent to HK$351) and approximately HK$162,041,000, respectively.

(e) On 15th February, 2005, the Group completed the acquisition of the vessel named Golden Princess (together with all furniture and fittings on board, slot machines and other gaming equipment in the gaming hall) from Pleasure Road, a company in which Mr. Albert Yeung was deemed to have significant influence. The consideration of the vessel was US$17 million (equivalent to approximately HK$132,599,000) which was satisfied by the allotment and issue of 104,409,000 new shares of HK$0.0001 each of the Company to Pleasure Road at the price of HK$1.27 per share.

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42. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are indirectly held, as at 31st March, 2006, are 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
				%	
Asian Glory Limited	Macau	Macau	MOP25,000	45*	Property holding
Big Capital International Limited	British Virgin Islands	Macau	US$1	45*	Slot machine hall operation
Emperor Entertainment Hotel Management Limited	Macau	Macau	MOP25,000	45*	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$30,000,000	100	Property development
Great Assets Holdings Limited	British Virgin Islands	Hong Kong	US$50	90	Investment holding
Harbour Assets Limited	British Virgin Islands	PRC and International waters	US$1	100	Vessel owner
Keen Million Limited	British Virgin Islands	Macau	US$1	45*	Mass market operation
Luck United Holdings Limited ("Luck United")	British Virgin Islands	Macau	US$10,000	45*	Investment holding
Pacific Strong Bases (Holding) Company Limited	Macau	Macau	MOP500,000	45*	Hotel operations

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For the year ended 31st March, 2006

42. PARTICULARS OF SUBSIDIARIES (continued)

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
Precision Faith Limited	Macau	Macau	MOP100,000	90	VIP room operation and provision of gaming related marketing and public relation services
Right Achieve Limited	British Virgin Islands	Macau	US$1	45*	Investment holding
Season Success Investment Limited	Hong Kong	Hong Kong	HK$1	100	Vessel operations
Super Park Internation Company Limited	Macau	Macau	MOP25,000	45*	Motor vehicle owner

* These companies are wholly owned subsidiaries of Luck United. Luck United is regarded as a subsidiary of the Group as the Group has control on the board of directors of Luck United.

The Group has written off its 80% interests in Canlibol Holdings Limited and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. (collectively "Canlibol Group"), the value of which had been fully provided for during the year ended 31st March, 2003. After consultation with PRC lawyers, it appeared that the Company's successful recovery of its interests in the Canlibol Group is doubtful and the directors of the Company considered it appropriate to write off such interests.

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2006.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net 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.