Golden Resorts
黃金集團

# Golden Resorts Group Limited
# 黃金集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1031)

# Annual Report 2007

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Chairman and Non-executive Director**
Mr. CHU, Nicholas Yuk-yui

**Executive Directors**
Mrs. CHU Yuet Wah (Chief Executive Officer)
Mr. WONG Hin Shek

**Independent Non-executive Directors**
Dr. WONG Yun Kuen
Ms. LO Miu Sheung, Betty
Mr. LAU Man Tak

## COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. SO Wai Yin

## AUDITORS

Graham H Y Chan & Co
Unit 1, 15th Floor, The Center
99 Queen's Road Central
Hong Kong

## PRINCIPAL BANKERS

Chong Hing Bank Limited
Bank of China (Hong Kong) Limited

## HONG KONG LEGAL ADVISERS

K&L Gates
35/F., Two International Finance Centre
8 Finance Street
Central
Hong Kong

## BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman
Room 2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2809, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

## BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

## STOCK CODE

1031

## WEBSITE

http://www.goldenresortsgroup.com

## FINANCIAL RESULTS

On behalf of the Board of Directors ("the Board") of Golden Resorts Group Limited ("the Company"), I am pleased to announce the result of the Company and its subsidiaries (collectively, "the Group") for the year ended 31 December 2007.

For the year ended 31 December 2007, the Group's turnover was approximately HK$536 million, representing an increase of 18% as compared with HK$453 million in last year. The increase was mainly contributed by our hotel operation and gaming business in Macau and trading of listed securities. Hotel operation reported 21% growth from last year with turnover amounted to HK$146 million, revenue from casino amounted to HK$323 million, a growth of 2%, as compared to HK$317 million in last year. Revenue generated from trading of listed securities has significantly increased by HK$51 million (or 467%) to HK$62 million in 2007.

The disposal of the discontinued operation was completed on 30 June 2006 and thus no results from discontinued operation were recorded.

The Group recorded an EBITDA of HK$268 million for the year ended 31 December 2007, comparing with HK$255 million in last year, after charging a share option expense of HK$0.9 million and HK$23 million respectively which was a non-cash accounting treatment to the books of the Company (for details, please refer to Note 7). Profits attributable to equity shareholders of the Company amounted to approximately HK$138 million, a 15% growth as compared to HK$120 million in last year. The basic earnings per share was HK1.97 cents (2006: Earnings per share HK1.98 cents).

## DIVIDEND

The Board of the Company recommended a payment of final dividend of HK 1 cent per share of the Company for the year ended 31 December 2007, subject to approval by shareholders of the Company at the forthcoming annual general meeting to be held on 3 June 2008. The final dividend will be payable on 13 June 2008.

## BONUS ISSUE OF WARRANTS

The Board of the Company proposed a bonus issue ("Bonus Warrant Issue") of new warrants to shareholders on the basis of one bonus warrant ("Bonus Warrant") for every five shares held. Such warrants will entitle the registered holder to subscribe for new shares of the Company at an initial subscription price of HK35 cents per share, subject to amendment, at any time from the date of issue to 9 June 2010 (both days inclusive). The record date for the Bonus Warrant Issue is proposed to be 3 June 2008 ("Record Date")

## CLOSURE OF REGISTER OF MEMBERS

The book closure dates are from 29 May 2008 to 3 June 2008, both days inclusive. No transfer to shares will be registered during this period. In order to qualify for the Bonus Warrant Issue and entitlement to the final dividend for the year ended 31 December 2007, all transfers accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 28 May 2008.

## BUSINESS REVIEW

### Hotel & Gaming Business

In 2007, the Group continued to generate excellent revenue totally amounted to HK$474 million (2006: HK$443 million) from this business segment. Gaming income accounted for 55% (2006: 58%), VIP Room rentals accounted for 13% (2006: 14%) and revenue from the hotel business contributed 31% (2006: 27%) of the total segment turnover.

With the opening of Golden 28 Club, a self managed VIP room at the Casa Real Hotel, in December 2006, gaming revenue contributed significantly to the total turnover of the Group for the year. Together with mass market gaming operation, the total revenue generated from gaming business amounted to approximately HK$260 million (2006: HK$256 million), which was considered stable under the intensifying market competition with the arrival of several new international players in Macau.

## BUSINESS REVIEW (CONTINUED)

### Hotel & Gaming Business (continued)

With the completion of renovation work of guest rooms in Grandview Hotel and the effectiveness of promotions and marketing, the total turnover from hotel operation increased HK$26 million (or 21%) from 2006 to HK$146 million in 2007.

### Trading of listed securities

Revenue generated from trading of listed securities increased significantly from HK$11 million in last year to HK$62 million in 2007, as the Group took full advantage from the revitalization of the securities market.

### Future Business Prospects and Plans

After the completion of the renovation work in early and late 2007, part of the guest rooms of Grandview Hotel and Casa Real Hotel have been upgraded, as such, the number of luxurious suites was enlarged to cope with the increasing demand in the upmarket accommodations. In 2008, further renovation work will be undertaken at both hotels and their casinos to maintain high standard of service in the industry.

For the purpose of enlarging visitor volume, the Group is continuously pursuing various marketing and promotion programs such as the comprehensive membership program launched during the year. Guests can enjoy impeccable services within the Group's properties with the use of our casino package. Moreover, upgrading the amenities to create a stunning ambiance and providing premium services to our honorable guests are always our ambition.

The Group will also co-operate with travel agencies and offer packages and joint promotions with business partners to direct a wider scope of customers to the two hotels and gaming facilities. With Macau's growing prominence in the global gaming arena, the Group will strive to expand its market presence in the mass market and VIP gaming.

With a strong liquidity position, the management will explore investment or business opportunities not only in Macau but also beyond the enclave, such as elsewhere in Asia-Pacific region, in order to expand the scope of our businesses and bring higher returns to our shareholders. However, no such opportunities have been identified at this stage.

## EMPLOYEES

As at 31 December 2007, the Group employed a total of approximately 800 staff of which approximately 20 staff were employed in Hong Kong. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

## PLEDGE OF ASSETS

The Group's leasehold land and buildings in Macau with a market value of approximately HK$2,530 million (2006: HK$2,549 million) were pledged to banks for banking facilities granted to the Group with the balance of approximately HK$140 million (2006: HK$320 million).

## FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

As the Group's hotel revenues are mostly based on Macau Patacas ("MOP"), having considered the exchange rate of MOP is fairly stable, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee (the "Committee") meets the external auditors at least once a year to discuss any areas of concerns during the audits. The Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") and the legal requirements in the review of the Company interim and annual reports.

## CORPORATE GOVERNANCE

The Group had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2007.

By Order of the Board
**CHU, Nicholas Yuk-yui**
*Chairman*

Hong Kong, 21 April 2008

The Directors of the Company (the "Directors") have pleasure in submitting their report and the audited financial statements of the Group for the year ended 31 December 2007.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 24. The Board resolved to recommend a final dividend of HK$0.01 per share for the year ended 31 December 2007 (2006: Nil), subject to approval by shareholders of the Company at the forthcoming annual general meeting to be held on 3 June 2008. The final dividend will be payable on 13 June 2008 to the shareholders whose names appear on the Register of Members of the Company on 3 June 2008. No interim dividend was declared during the year. In respect of the preceding year, an interim dividend of HK$36 million representing HK3 cents per share was declared and paid by the Company.

The Board also resolved to recommend a bonus issue of new warrants (the "Bonus Warrant Issue") on the basis of one Bonus Warrant of every five shares held, at an initial subscription price of HK$0.35 per share with a term of two years, details of which will be included in a circular to be sent to the shareholders as soon as practicable.

## SEGMENTAL INFORMATION

An analysis of the Group's performance for the year ended 31 December 2007 is set out in note 5 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity on page 28 respectively.

## DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2007 are set out in note 31 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to HK$3,636,000.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 19 to the financial statements.

## BANK LOANS AND OTHER BORROWINGS

As at 31 December 2007, the Group had total borrowings amounted to approximately HK$141 million, as compared to approximately HK$327 million at last financial year end, representing bank loans and overdrafts. The net gearing ratio is measured on the basis of total borrowings less bank and cash balances over net assets. As the Group was in net cash position, hence, no net gearing ratio (2006: 9%) is presented.

Details of the bank loans and other borrowings of the Group are set out in notes 25 and 26 to the financial statements respectively.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2007, the shareholders' fund and net current assets of the Group amounted to approximately HK$3,255 million and HK$555 million respectively. On the same date, the Group had cash and bank balance of HK$606 million and the current ratio was 4 (2006: 6).

## CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2007.

## CAPITAL STRUCTURE

(i) For the year ended 31 December 2007, the Company purchased 38,782,000 of its ordinary shares on the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). All the shares purchased were cancelled.

(ii) On 10 April 2007, 220,000,000 shares were subscribed by Mrs. CHU Yuet Wah, the Director of the Company and Sure Expert Limited (collectively, the "Vendors") pursuant to the top-up subscription agreement dated 30 March 2007 entered into between the Company and the Vendors at a price of HK$1.98 per share (the "Top-Up Subscription"). The Top-Up Subscription issue price of HK$1.98 represents (i) a discount of approximately 12.39% to the closing price of HK$2.26 per share as quoted on the Stock Exchange on the last trading date; (ii) a discount of approximately 2.65% to the average closing price per share of approximately HK$2.034 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading date; and (iii) a premium of approximately 0.3% over the average closing price per share of HK$1.974 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date.

(iii) Pursuant to a resolution passed on 7 May 2007, a bonus issue was made on the basis of four new shares, credited as fully paid, for every share then held. The bonus shares credited as fully paid and rank pari passu in all respects with the issued shares on that date. On 11 May 2007, 5,802,285,992 bonus shares of HK$0.01 each were issued.

(iv) For the year ended 31 December 2007, totally 197,697,400 ordinary shares of HK$0.01 each were issued pursuant to the share option scheme of the Company.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were approximately 65% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 59% of the Group's total revenue for the year.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 20% of the Group's total purchases.

At no time during the year, did a Director, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers of the Group.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out as below:

| | **2007** | 2006 | 2005 | 2004 (restated) | 2003 |
|---|---|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | | | | | |
| Continuing operation | **535,785** | 453,388 | 253,806 | 15,479 | 4,752 |
| Discontinued operation | **–** | 64,349 | 128,024 | 126,176 | 85,270 |
| | **535,785** | 517,737 | 381,830 | 141,655 | 90,022 |
| Profit/(loss) attributable to shareholders | | | | | |
| Continuing operation | **139,964** | 121,669 | (290,172) | (5,693) | (2,489) |
| Discontinued operation | **–** | (1,199) | (2,582) | (5,442) | 2,345 |
| | **139,964** | 120,470 | (292,754) | (11,135) | (144) |
| Total assets | **3,435,006** | 2,951,865 | 3,015,620 | 795,554 | 63,338 |
| Total liabilities | **(174,045)** | (351,998) | (601,891) | (72,754) | (49,615) |
| Minority interest | **(5,662)** | (10,136) | – | – | – |
| Shareholders' fund | **3,255,299** | 2,589,731 | 2,413,729 | 722,800 | 13,723 |

*Note:* The figures for the year ended 31 December 2004 have been restated in accordance with the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institution of Certified Public Accountants.

## SHARE OPTIONS AND SHARE CAPITAL

Details of the movements in the share options and share capital of the Company during the year are set out in notes 28 and 30 to the financial statements respectively.

## SHARE OPTION SCHEMES

Details of the share option are set out in note 28 to the financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on prorate basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Except for the repurchase of the Company's own ordinary shares as set out in note 30(i) to the financial statements, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

## DIRECTORS

The Directors who held office during the year and up to the date of this report were:

### Executive directors

Mrs. CHU Yuet Wah *(Chief Executive Officer)*
Mr. WONG Hin Shek
Mr. CHI Chi Hung, Kenneth
(resigned on 29 March 2007)

### Non-executive Directors

Mr. CHU, Nicholas Yuk-yui *(Chairman)*

### Independent Non-executive Directors

Mr. LAU Man Tak
Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen

In accordance with the bye-law 87(1), Mr. LAU Man Tak and Dr. WONG Yun Kuen will retire by rotation at the forthcoming annual general meeting.

The term of office for each of the Non-executive Director and Independent Non-executive Directors is the period up to his retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's bye-laws.

The Company has received from each of Mr. LAU Man Tak, Ms. LO Miu Sheung, Betty and Dr. WONG Yun Kuen an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the independent Non-executive Directors to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The biographical details of Directors of the Group as at the date of this report are as follows:-

### Chairman and Non-executive Director

**Mr. CHU, Nicholas Yuk-yui**, aged 55, holds a Bachelor's degree in Accounting and a Master of Business Administration from the Louisiana State University. He has over 25 years of experience in commercial property leasing and management, and more than a total of 15 years of experience in corporate finance, foreign exchange, lending, securities and futures trading industries. He is a member of Hong Kong Securities Institute and a responsible officer under the Securities and Futures Ordinance for type 1 and 2 activities. He is also the husband of Mrs. CHU Yuet Wah and he joined the Group in February 2006.

### The Chief Executive Officer and Executive Directors

**Mrs. CHU Yuet Wah**, aged 49, is the Chief Executive Officer and an Executive Director of the Company. She has been involved in gaming entertainment related services and has profound knowledge in the development of the gaming entertainment industry in Macau. She is also the controlling shareholder of the Kingston group of companies which are engaged in securities, investment banking, financing and the financial services business in Hong Kong. She is the 2006 Election Committee Member, Member of National Committee of Chinese People's Political Consultative Conference, Member of Guangdong Committee of Chinese People's Political Consultative Conference, Vice Chairman of The Chamber of Hong Kong Listed Companies, Chairman of Hong Kong Youth Science Foundation, Director of The Institute of Securities Dealers Limited, Director of China Red Cross Jet Li One Foundation, Director of Po Leung Kuk for years 2005-2008, Chairman of Aplichau Promotion of Tourism Association, School Manager of Aplichau KaiFong Primary School, Chairman of The Aplichau KaiFong Welfare Association, Honorary President of Hong Kong Federation of Women, Life Honorary President of The Tung Koon District General Association and Permanent Honorary President of Hong Kong Southern District Orchestra. She holds a Bachelor of Science in Management degree from Golden Gate University, the U.S.A. She is also the wife of Mr. CHU, Nicholas Yuk-yui and she joined the Group in April 2005.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER (CONTINUED)

### Executive Directors

**Mr. WONG Hin Shek**, aged 38, is an Executive Director of the Company. He has over 14 years of experience in corporate finance transactions, including mergers and acquisitions, initial public offerings and equity syndication. He is a responsible officer under the Securities and Futures Ordinance for type 6 regulated activity (advising on corporate finance). He holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. He is currently an executive director of Climax International Company Limited (Stock code: 439) and Sunny Global Holdings Limited (Stock code: 1094). He was a former executive director of Hong Kong Health Check and Laboratory Holdings Company Limited (Stock code: 397) from March 2005 to March 2006. He joined the Group in February 2005.

### Independent Non-executive Directors

**Dr. WONG Yun Kuen**, aged 50, received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is a member of Hong Kong Securities Institute, Master Financial Professional and Fellow of American Academy of Financial Management and a Certified Ecommerce Consultant of the Institute of E-Commerce Consultant, U.S.A. He is an Executive Director of UBA Investments Limited (Stock code: 768), and an Independent Non-executive Director of Grand Field Group Holdings Limited (Stock code: 115), Harmony Asset Limited (Stock code: 428), Bauhaus International (Holdings) Limited (Stock code: 483), Challenger Group Holdings Limited (Stock code: 8203), Poly Investments Holdings Limited (Stock code: 263), Superb Summit International Timber Company Limited (Stock code: 1228), Kong Sun Holdings Limited (Stock code: 295), ProSticks International Holdings Limited (Stock code: 8055) and Climax International Company Limited (Stock code: 439). He was also a former Independent Non-executive Director of Apex Capital Limited, formerly named Haywood Investment Limited (Stock code: 905) from June 1998 to July 2005. He joined the Group in June 2005.

**Ms. LO Miu Sheung, Betty**, aged 45, graduated from the University of Hong Kong with a Bachelor degree in Law (LL.B). She is a qualified solicitor in Hong Kong and has over 18 years of experience in general legal practices. She is currently an Independent Non-executive Director of Kong Sun Holdings Limited (Stock code: 295). She was also a former Executive Director of Climax International Company Limited (Stock code: 439) from June 2007 to January 2008. She was an Independent Non-executive Director of Hua Yi Copper Holdings Limited (Stock code: 559) but resigned in November 2005. She joined the Group in June 2005.

**Mr. LAU Man Tak**, aged 38, holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has 15 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He is currently an executive director of Warderly International Holdings Limited (Stock code: 607) and an Independent Non-executive Director of Climax International Company Limited (Stock code: 439). He was also a former Executive Director of Solartech International Holdings Limited (Stock code: 1166) from 2002 to 2007, Hua Yi Copper Holdings Limited (Stock code: 559) from 2004 to 2007 and Premium Land Limited (Stock code: 164) from 2001 to 2005 and a former Independent Non-executive Director of Hong Kong Health Check and Laboratory Holdings Company Limited (Stock code: 397) from 2003 to 2006. He joined the Group in October 2005.

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the Directors' emoluments and of the five highest paid individuals of the Group are set out in note 15 and 16 to the financial statements respectively.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 37 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 December 2007, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Long positions in the Shares:

| Name of Directors | Number of shares of the Company<br>Personal Interests | <br>Corporate Interests | No. of underlying shares of the Company | Total | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Mrs. CHU Yuet Wah | – | 3,053,587,680 *(Note 1)* | 425,000,000 *(Note 2)* | 3,478,587,680 | 46.92% |
| Mr. CHU, Nicholas Yuk-yui | – | 3,053,587,680 *(Note 1)* | 425,000,000 *(Note 2)* | 3,478,587,680 | 46.92% |
| Mr. WONG Hin Shek | – | – | 60,600,000 *(Note 3)* | 60,600,000 | 0.82% |

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES (CONTINUED)

*Notes:*

(1) As at 31 December 2007, of the 3,053,587,680 shares, 3,027,015,990 shares are held by Sure Expert, 26,566,665 shares are held by Kingston Capital Limited and 5,025 Shares are held by Kingston Securities Limited. Both Kingston Capital Limited and Kingston Securities Limited are controlled by Mrs. CHU Yuet Wah ("Mrs. CHU"). Mr. CHU Nicholas Yuk-yui ("Mr. CHU"), the husband of Mrs. CHU, is deemed to be interested in these 3,053,587,680 shares.

(2) As at 31 December 2007, Mrs. CHU, through Sure Expert held 400,000,000 warrants conferring rights to subscribe for up to HK$200,000,000 in aggregate in cash for 400,000,000 new shares at an adjusted subscription price of HK$0.50 per share (the "Warrants"). Each of Mr. CHU, and Mrs. CHU personally held 12,500,000 share options conferring rights to subscribe for 12,500,000 shares. Mr. CHU, the husband of Mrs. CHU, is deemed to be interested in the 412,500,000 underlying shares held by Mrs. CHU. Mrs. CHU is deemed to be interested in the 12,500,000 underlying shares held by Mr. CHU.

(3) As at 31 December 2007, 60,600,000 share options conferring rights to subscribe for 60,600,000 shares.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "Directors' and Chief Executive's interests and short positions in securities", at no time during the year was the Company or any of its associated corporations a party to any arrangement to enable the Directors or Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Chief Executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

| Name of Shareholders | Number of shares of the Company Personal Interests | Corporate Interests | No. of underlying shares of the Company | Total | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Sure Expert Limited *(Note 1)* | – | 3,027,015,990 | 400,000,000 | 3,427,015,990 | 46.22% |
| Choose Right Limited | – | – | 676,250,000 | 676,250,000 | 9.12% |

*Note:*

(1) Sure Expert is wholly owned by Mrs. CHU. The interests of Mrs. CHU and Sure Expert in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in securities" above.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2007.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Mrs. CHU Yuet Wah has beneficial interests as a partner in several self managed VIP Rooms in Macau, which compete or are likely to compete, either directly or indirectly, with the business of the Group. The Board is of the view that in the performance of her duties as Director of the Company, Mrs. CHU has acted and will continue to act in the commercial best interest of the Group and all its shareholders.

Save as disclosed above, as at 31 December 2007, to the best knowledge of the Board, none of the Directors or their respective associates was interested in any business which competes or is likely to compete with the business of the Group.

## CONNECTED TRANSACTION

Details of the connected transactions entered into by the Company are set out in note 37 to the financial statements.

## AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors.

## MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the year.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the Non-executive Director and Independent Non-executive Directors are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## AUDITORS

Graham H Y Chan & Co. retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
**CHU, Nicholas Yuk-yui**
*Chairman*

Hong Kong, 21 April 2008

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2007.

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of the business of the Group.

The Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices (the "Recommended Best Practices") for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company has applied the Principles and the Code Provisions as set out in the CG Code and complied with all the Code Provisions. It also put in place certain Recommended Best Practices as set out in the CG Code.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, and acknowledges the important role of its Board in providing effective leadership and direction to the Company's business, and ensuring transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised as follows:

## THE BOARD

### Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to further the healthy growth of the Company, in the interests of its shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Executive Director/Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the senior management to discharge its responsibilities.

## THE BOARD (CONTINUED)

### Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises six members, consisting of two Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

The Board comprises the following Directors:

*Chairman and Non-executive Directors:*
Mr. CHU, Nicholas Yuk-yui

*Executive Directors:*
Mrs. CHU Yuet Wah *(Chief Executive Officer)*
Mr. WONG Hin Shek

*Independent Non-executive Directors:*
Mr. LAU Man Tak *(Chairman of Audit Committee & Members of Remuneration Committee)*
Dr. WONG Yun Kuen *(Member of Audit Committee & Members of Remuneration Committee)*
Ms. LO Miu Sheung, Betty *(Member of Audit Committee & Chairman of Remuneration Committee)*

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the year ended 31 December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of independence pursuant to the requirements of the Listing Rules. The Company considers all independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board Committees, all Non-executive Directors make various contributions to the effective direction of the Company.

### Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors.

The term of office for each of Executive Directors, Non-executive Director and Independent Non-executive Directors is the period up to his retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's bye-laws.

In accordance with the Company's bye-laws, any Director so appointed by the Board shall hold office only until the next following annual general meeting ("AGM") and shall then be eligible for re-election at that meeting.

At each AGM, one-third of the Directors for the time being shall retire from office by rotation.

In accordance with the bye-law 87(1) of the Company's bye-laws, Mr. LAU Man Tak and Dr. WONG Yun Kuen will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

## THE BOARD (CONTINUED)

### Appointment and Succession Planning of Directors (Continued)

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

### Training for Directors

In case there is any newly appointed Director, he/she will be provided an induction so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

### Board Meetings

*Number of Meetings and Directors' Attendance*

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2007, four Board meetings were held, which were regular Board meetings. The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2007 is set out below:

| | **Attendance/Number of Meetings** | | |
|---|---|---|---|
| **Name of Directors** | **Board** | **Audit Committee** | **Remuneration Committee** |
| Mr. CHU, Nicholas Yuk-yui | 4/4 | Not applicable | Not applicable |
| Mrs. CHU Yuet Wah | 4/4 | Not applicable | Not applicable |
| Mr. WONG Hin Shek | 4/4 | Not applicable | Not applicable |
| Mr. CHI Chi Hung, Kenneth *(note)* | Not applicable | Not applicable | Not applicable |
| Mr. LAU Man Tak | 4/4 | 2/2 | 1/1 |
| Dr. WONG Yun Kuen | 4/4 | 2/2 | 1/1 |
| Ms. LO Miu Sheung, Betty | 4/4 | 2/2 | 1/1 |

*Note:* Resigned on 29 March 2007

## THE BOARD (CONTINUED)

### Board Meetings (Continued)

*Number of Meetings and Directors' Attendance (Continued)*

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings.

For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Company Secretary of the Company is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The positions of the Chairman and Chief Executive Officer are held by Mr. CHU, Nicholas Yuk-yui and Mrs. CHU Yuet Wah respectively.

Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. She is in charge of the Company's day-to-day management and operations. She is also responsible for developing strategic plans and formulating the company practices and procedures, business objectives, and risk assessment for the Board's approval.

## BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee, and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of the two Board committees are Independent Non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

### Remuneration Committee

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31 December 2007 and reviewed the existing remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

### Audit Committee

The Audit Committee comprises three Independent Non-executive Directors (including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2007 to review the financial results and reports, financial reporting and compliance procedures, the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

## BOARD COMMITTEES (CONTINUED)

### Audit Committee (Continued)

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2007 have been reviewed by the Audit Committee.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2007.

The Company also has established written guidelines on no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Written Guidelines by the employees was noted by the Company.

## RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 22 to 23.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2007 amounted to HK$500,000 and HK$44,500 respectively.

An analysis of the remuneration paid to the external auditors of the Company is set out below:

| **Types of Services** | **Amount of Fees Payable/Paid** *(HK$)* |
|---|---|
| Audit Services | 500,000 |
| Non-audit Services | |
| 1. Tax services | 3,800 |
| 2. Others | 40,700 |
| | 44,500 |
| Total | 544,500 |

## INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

Management currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time.

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Company.

## SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders meetings are contained in the Company's bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

Enquiries from investors are dealt with in an informative and timely manner. To promote effective communication, the Company also maintains a website at http://www.goldenresortsgroup.com, where extensive information and updates on the Company's business developments and operations, financial information and other information are posted.

事務所 會計師 陳浩賢

**GRAHAM H.Y. CHAN & CO.**
**CERTIFIED PUBLIC ACCOUNTANTS**
**HONG KONG**

TO THE SHAREHOLDERS OF
**GOLDEN RESORTS GROUP LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Golden Resorts Group Limited set out on pages 24 to 86, which comprise the consolidated and Company balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Company Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Graham H.Y. Chan & Co.**
*Certified Public Accountants (Practising)*
Unit 1, 15/F, The Center,
99 Queen's Road Central,
Hong Kong

21 April 2008

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

| | Note | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 535,785 | 453,388 |
| Cost of sales | | (66,352) | (25,561) |
| Operating cost | | (150,632) | (101,358) |
| Gross profit | | 318,801 | 326,469 |
| Other income | 6 | 18,582 | 6,809 |
| Administrative expenses | | (146,196) | (142,852) |
| Other operating expenses | | (3,638) | (4,267) |
| Other losses | | (4,635) | – |
| Gain on disposal of watch business | | – | 6,172 |
| Staff costs | 7 | (28,299) | (47,701) |
| Finance costs | 8 | (14,579) | (22,961) |
| Profit before taxation | | 140,036 | 121,669 |
| Taxation | 9 | (72) | – |
| Profit for the year from continuing operations | | 139,964 | 121,669 |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 10 | – | (1,199) |
| Profit for the year | 11 | 139,964 | 120,470 |
| Attributable to: | | | |
| Equity shareholders of the Company | 12 | 138,438 | 120,334 |
| Minority interest | | 1,526 | 136 |
| | | 139,964 | 120,470 |
| Dividend | 13 | – | 36,380 |
| **Earnings per share (cents per share)** | 14 | | |
| From continuing and discontinued operations: | | | |
| – Basic : current year/prior year as retrospectively restated (as previously reported) | | 1.97 | 1.98 (9.90) |
| – Diluted : current year/prior year as retrospectively restated (as previously reported) | | 1.93 | 1.98 (9.90) |
| From continuing operations: | | | |
| – Basic : current year/prior year as retrospectively restated (as previously reported) | | 1.97 | 2.00 (10.00) |
| – Diluted : current year/prior year as retrospectively restated (as previously reported) | | 1.93 | 2.00 (10.00) |

# CONSOLIDATED BALANCE SHEET

As at 31 December 2007

| | Note | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 17 | **1,899,017** | 1,933,885 |
| Prepaid land lease premium | 18 | **781,853** | 801,080 |
| Deferred tax assets | 29 | **5,575** | 5,575 |
| Deposit for hotel renovation and acquisition of property, plant and equipment | | **19,956** | 7,524 |
| | | **2,706,401** | 2,748,064 |
| Current assets | | | |
| Inventories | 20 | **2,497** | 1,965 |
| Prepaid land lease premium | 18 | **19,066** | 18,905 |
| Available-for-sale investment | 21 | **25,887** | 15,539 |
| Trading securities | 22 | **15,261** | – |
| Trade and other receivables | 23 | **60,154** | 71,622 |
| Cash and cash equivalents | 33 | **605,740** | 95,770 |
| | | **728,605** | 203,801 |
| Current liabilities | | | |
| Trade and other payables | 24 | **33,141** | 25,344 |
| Borrowings – due within one year | 25 | **140,832** | 6,654 |
| Tax payable | | **72** | – |
| | | **174,045** | 31,998 |
| Net current assets | | **554,560** | 171,803 |
| Total assets less current liabilities | | **3,260,961** | 2,919,867 |
| Non-current liabilities | | | |
| Borrowings – due after one year | 25 | **–** | 320,000 |
| Net assets | | **3,260,961** | 2,599,867 |
| Capital and reserves | | | |
| Share capital | 30 | **74,137** | 12,324 |
| Reserves | | **3,181,162** | 2,577,407 |
| Total equity attributable to equity shareholders of the Company | | **3,255,299** | 2,589,731 |
| Minority interest | | **5,662** | 10,136 |
| Total equity | | **3,260,961** | 2,599,867 |

The financial statements on pages 24 to 86 were approved and authorised for issue by the board of directors on 21 April 2008 and are signed on its behalf by:

**CHU, Nicholas Yuk-yui**
*Director*

**WONG Hin Shek**
*Director*

# BALANCE SHEET

As at 31 December 2007

| | Note | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | *17* | **1,337** | 2,222 |
| Investments in subsidiaries | *19* | **1,585,469** | 1,363,487 |
| | | **1,586,806** | 1,365,709 |
| Current assets | | | |
| Deposits and prepayment | *23* | **2,719** | 856 |
| Cash and cash equivalents | *33* | **350,119** | 15,786 |
| | | **352,838** | 16,642 |
| Current liabilities | | | |
| Other payable and accruals | *24* | **2,565** | 2,348 |
| Borrowings – due within one year | *25* | **–** | 30 |
| | | **2,565** | 2,378 |
| Net current assets | | **350,273** | 14,264 |
| Total assets less current liabilities | | **1,937,079** | 1,379,973 |
| Capital and reserves | | | |
| Share capital | *30* | **74,137** | 12,324 |
| Reserves | *31* | **1,862,942** | 1,367,649 |
| Total equity | | **1,937,079** | 1,379,973 |

**CHU, Nicholas Yuk-yui**
*Director*

**WONG Hin Shek**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

| | Equity attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Contributed surplus | Leasehold building revaluation reserve | Employee share-based payment reserve | Investment revaluation reserve | Exchange fluctuation reserve | Retained earnings/ (accumulated losses) | Total | Minority interest | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2006** | 121,265 | 1,415,424 | 814 | 866,921 | 496,800 | – | 235 | (487,730) | 2,413,729 | – | 2,413,729 |
| Surplus arising from revaluation of leasehold buildings | – | – | – | 39,321 | – | – | – | – | 39,321 | – | 39,321 |
| Realised upon depreciation based on revalued amount of land and building | – | – | – | (19,709) | – | – | – | 19,709 | – | – | – |
| Net income directly recognised in equity | – | – | – | 19,612 | – | – | – | 19,709 | 39,321 | – | 39,321 |
| Profit for the year | – | – | – | – | – | – | – | 120,334 | 120,334 | 136 | 120,470 |
| Total recognised income and expenses for the year | – | – | – | 19,612 | – | – | – | 140,043 | 159,655 | 136 | 159,791 |
| Capital reduction | (109,139) | (218,938) | – | – | (448,000) | – | – | 776,077 | – | – | – |
| Employee share-based payments | – | – | – | – | 22,784 | – | – | – | 22,784 | – | 22,784 |
| Issue of shares under share option plan | 198 | 29,745 | – | – | – | – | – | – | 29,943 | – | 29,943 |
| Capital injection by minority interest holders of a subsidiary | – | – | – | – | – | – | – | – | – | 10,000 | 10,000 |
| Payment of dividends | – | – | – | – | – | – | – | (36,380) | (36,380) | – | (36,380) |
| | (108,941) | (189,193) | – | – | (425,216) | – | – | 739,697 | 16,347 | 10,000 | 26,347 |
| **At 31 December 2006** | 12,324 | 1,226,231 | 814 | 886,533 | 71,584 | – | 235 | 392,010 | 2,589,731 | 10,136 | 2,599,867 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

| | Equity attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Contributed surplus *HK$'000* | Leasehold building revaluation reserve *HK$'000* | Employee share-based payment reserve *HK$'000* | Investment revaluation reserve *HK$'000* | Exchange fluctuation reserve *HK$'000* | Retained earnings/ (accumulated losses) *HK$'000* | Total *HK$'000* | Minority interest *HK$'000* | Total equity *HK$'000* |
| **At 1 January 2007** | 12,324 | 1,226,231 | 814 | 886,533 | 71,584 | – | 235 | 392,010 | 2,589,731 | 10,136 | 2,599,867 |
| Surplus arising from revaluation of leasehold buildings | – | – | – | 40,971 | – | – | – | – | 40,971 | – | 40,971 |
| Realised upon depreciation based on revalued amount of land and building | – | – | – | (20,624) | – | – | – | 20,624 | – | – | – |
| Unrealised gain arising from change in fair value of available-for-sale investment | – | – | – | – | – | 3,191 | – | – | 3,191 | – | 3,191 |
| Net income directly recognised in equity | – | – | – | 20,347 | – | 3,191 | – | 20,624 | 44,162 | – | 44,162 |
| Profit for the year | – | – | – | – | – | – | – | 138,438 | 138,438 | 1,526 | 139,964 |
| Total recognised income and expenses for the year | – | – | – | 20,347 | – | 3,191 | – | 159,062 | 182,600 | 1,526 | 184,126 |
| Share repurchased | (387) | (22,043) | – | – | – | – | – | – | (22,430) | – | (22,430) |
| Issue of share for cash, net of expenses | 2,200 | 421,885 | – | – | – | – | – | – | 424,085 | – | 424,085 |
| Issue of shares under share option plan | 1,977 | 89,482 | – | – | (11,071) | – | – | – | 80,388 | – | 80,388 |
| Bonus issue | 58,023 | (58,023) | – | – | – | – | – | – | – | – | – |
| Employee share-based payments | – | – | – | – | 925 | – | – | – | 925 | – | 925 |
| Forfeiture of share options | – | – | – | – | (4,027) | – | – | 4,027 | – | – | – |
| Capital return to minority interest holders of a subsidiary resulting from capital reduction | – | – | – | – | – | – | – | – | – | (4,000) | (4,000) |
| Dividend paid to minority interest holders of a subsidiary | – | – | – | – | – | – | – | – | – | (2,000) | (2,000) |
| | 61,813 | 431,301 | – | – | (14,173) | – | – | 4,027 | 482,968 | (6,000) | 476,968 |
| **At 31 December 2007** | 74,137 | 1,657,532 | 814 | 906,880 | 57,411 | 3,191 | 235 | 555,099 | 3,255,299 | 5,662 | 3,260,961 |

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

| | Note | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | 139,964 | 120,470 |
| Adjustments for: | | | |
| Income tax recognised in profit or loss | | 72 | – |
| Finance costs | | 14,579 | 23,091 |
| Interest income | | (13,511) | (3,828) |
| Dividend income | | (781) | – |
| Depreciation of property, plant and equipment | | 94,718 | 92,273 |
| Amortisation of land lease premium | | 19,066 | 19,066 |
| Loss of disposal of property, plant and equipment | | 1,890 | 1,500 |
| Gain on disposal of subsidiaries | | – | (6,172) |
| Gain on disposal of investment at fair value | | (10,405) | (832) |
| Impairment losses for trade and other receivables | | 1,748 | 2,767 |
| Unrealised loss on trading securities | | 4,635 | – |
| Equity-settled share-based payment expenses | 7 | 925 | 22,784 |
| Operating profit before changes in working capital | | 252,900 | 271,119 |
| (Increase)/decrease in inventories | | (532) | 111 |
| Decrease/(increase) in trade and other receivables | | 10,162 | (23,970) |
| Increase/(decrease) in trade and other payables | | 7,797 | (14,485) |
| Cash from operations | | 270,327 | 232,775 |
| Hong Kong profits tax paid | | – | – |
| Net cash from operating activities | | 270,327 | 232,775 |
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment | | (28,025) | (37,054) |
| Proceeds from disposal of property, plant and equipment | | 145 | 160 |
| Disposal of subsidiaries | 32 | – | 670 |
| Payment for the purchase of: | | | |
| – trading securities | | (71,141) | (10,040) |
| – available-for-sale investment | | (7,157) | (15,539) |
| Proceeds from sale of trading securities | | 61,650 | 10,872 |
| Deposit paid for hotel renovation | | (5,321) | (7,524) |
| Interest received | | 13,069 | 3,828 |
| Dividend received | | 781 | – |
| Net cash used in investing activities | | (35,999) | (54,627) |

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

| | Note | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Issue of shares | | **504,473** | 29,943 |
| Share repurchase | | **(22,430)** | – |
| Capital (return to)/injection by minority interest holders of a subsidiary | | **(4,000)** | 10,000 |
| Repayment of bank loans | | **(180,000)** | (182,435) |
| Interest paid | | **(14,579)** | (23,091) |
| Payment of capital element of finance leases | | **(3)** | (305) |
| Dividend paid | | **–** | (36,380) |
| Dividend paid to minority interest holders of a subsidiary | | **(2,000)** | – |
| Net cash from/(used in) financing activities | | **281,461** | (202,268) |
| Net increase/(decrease) in cash and cash equivalents | | **515,789** | (24,120) |
| Cash and cash equivalents at 1 January | | **89,119** | 113,239 |
| Cash and cash equivalents at 31 December | *33* | **604,908** | 89,119 |

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 19 to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– leasehold properties

– financial instruments classified as trading securities or available-for-sales investment

The preparation of financial statements in conformity with HKFRS requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation of the financial statements (Continued)

Judgments made by management in the application of HKFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 38.

### (b) Subsidiaries and minority interests

Subsidiary are all entities over which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. 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. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company. 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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Property, plant and equipment

The building components of owner-occupied leasehold properties are stated at valuation less accumulated depreciation. Fair value is determined by an independent firm of qualified property valuers. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Increases in valuation are credited to the leasehold buildings revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increase are credited to the income statement up to the amount previously charged and thereafter to leasehold buildings revaluation reserve.

Other items of property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over the their estimated useful lives as follows:

| | | |
|---|---|---|
| — | Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion. | |
| — | Plant and machinery | 20% |
| — | Leasehold improvement, furniture, fixture and equipment | 10% – 50% |
| — | Motor vehicles | 20% – 33% |

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Upon the disposal of leasehold buildings, the relevant portion of the revaluations reserve realised in respect of previous valuations is released from the leasehold buildings revaluation reserve to retained earnings.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Construction in progress represents factory building, plant and machinery and other fixed assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprised direct cost of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Leased assets

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance lease charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 2(m) below).

Rentals applicable to operating leases net of any incentives received from the leasing company are charged to the income statement on straight line basis over the lease term.

Prepaid land lease premium under operating leases are up-front payments to acquire long-term interests in lessee-occupied properties. Prepaid land lease premium are stated at cost less accumulated amortisation and any impairment and are amortised over the remaining lease terms on a straight-line basis to the income statement.

### (e) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make to the sale.

### (f) Financial instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

*(i) Financial assets at fair value through profit or loss*

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. Upon disposal, the difference between the net sales proceeds and the carrying value is included in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

*(ii) Available-for-sale investments*

Available-for-sale investments are those non-derivatives and are designated as available-for-sale investments or not classified under other investment categories. Available-for-sale investments are carried at fair value. Unrealised gain and losses (including transaction costs on acquisition) arising from changes in the fair value are recognised in investment revaluation reserve in accordance with HKAS 39. When the securities are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal. For investments where there is no active market and whose fair value cannot be reliably measured, such investments are measured at cost less any impairment losses at each balance sheet date subsequent to initial recognition.

*(iii) Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

*(iv) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are ready convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

*(v) Trade and other payables*

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

*(vi) Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

*(vii) Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

*(viii) Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(j) and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

### (g) Impairment of assets

*(i) Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Impairment of assets (continued)

*(i) Impairment of financial assets (continued)*

For certain categories of financial asset, such as trade and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, any impairment loss is determined and recognised as follows :

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decrease. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amounting exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Impairment of assets (continued)

*(i) Impairment of financial assets (continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– prepaid land lease premium;

– investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Impairment of assets (continued)

*(ii) Impairment of other assets (continued)*

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (h) Employee benefits

*(i) Short term employee benefits in the form of leave*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Retirement benefit costs*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently-administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The company's contributions to the MPF Scheme are recognised as an expense in the income statement as incurred.

Obligations for contributions to social security fund are recognised as an expense in the income statement as incurred.

*(iii) Share-based payments*

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Employee benefits (continued)

*(iii) Share-based payments (continued)*

For share options granted under the Scheme, the fair value of the employee's services rendered in exchange for the grant of the options is recognised as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

At the time when the share options are exercised, the amount previously recognised in the employee share-based payment reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based payment reserve will be released directly to retained earnings.

*(iv) Termination benefits*

Termination benefits are recognised when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### (i) Income tax

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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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 only to the extent that it is probable that future 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax 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 profit will be available to allow all or part of the asset to be recovered.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Income tax (continued)

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. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### (j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (k) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and cost, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i)* *Sales of goods*

Sales of goods are recognised when goods are delivered and title has passed.

*(ii)* *Hotel revenue*

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

*(iii)* *Casino income*

Revenue arising from services provided for gaming operations is recognized when the relevant services have been rendered and the Group is entitled to the share of gaming wins or losses from the gaming operator.

*(iv)* *Interest income*

Interest income is recognised as it accrues using the effective interest method.

*(v)* *Sales of trading securities*

Sale proceeds of trading securities are recognised on a trade date basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Translation of foreign currencies

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items such as equities instruments held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

*(iii) Group companies*

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

### (m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the company that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is a member of key management personnel of the Company or its parent company;

(iii) the party is a close member of the family of any individual refered to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii);

(v) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### (o) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

## 3. ADOPTION OF NEW AND REVISED STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are set out in note 34.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 30.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

## 3. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Four interpretations issued by Hong Kong Institute of Certified Public Accountants are effective for the current period. These are:

| | |
|---|---|
| HK(IFRIC)-Int 7 | Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of embedded derivatives |
| HK(IFRIC)-Int 10 | Interim financial reporting and impairment |

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

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 that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[5] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[5] |
| HKFRS 8 | Operating segments[1] |
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasure Share Transactions[2] |
| HK(IFRIC)-Int 12 | Service Concession Arrangements[3] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[4] |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3] |

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 July 2009

## 4. REVENUE

An analysis of the Group's revenues, which are also the Group's turnover, for both continuing and discontinued operations, is as follows:

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Operating of hotels | | |
| – room rental | 109,692 | 87,759 |
| – food and beverage sale | 36,313 | 32,741 |
| – income from casino | 323,472 | 317,312 |
| – other rental income | 4,658 | 4,704 |
| | 474,135 | 442,516 |
| Proceeds from sale of trading securities | 61,650 | 10,872 |
| | 535,785 | 453,388 |
| **Discontinued operations** | | |
| Revenue from the sale of watches and watch components | – | 64,349 |
| | 535,785 | 517,737 |

## 5. SEGMENTAL INFORMATION

### Primary reporting format – business segments

For management purposes, the Group is organised into two business segments:

Hotel business – holding and operating of hotels: the operation of two hotels in Macau; and

Investment business – trading of listed securities.

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2006 and 2007, and certain assets and liabilities information regarding business segments at 31 December 2006 and 2007.

| | Continuing operations | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Holding and operating of hotels | | Trading of listed securities | | Total | | Manufacturing and selling of watches and watch components *(note)* | | Consolidated | |
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Revenue from external customers | **474,135** | 442,516 | **61,650** | 10,872 | **535,785** | 453,388 | **–** | 64,349 | **535,785** | 517,737 |
| Segment result | **159,254** | 174,993 | **5,763** | 827 | **165,017** | 175,820 | **–** | (1,069) | **165,017** | 174,751 |
| Interest income | | | | | **13,511** | 3,828 | **–** | – | **13,511** | 3,828 |
| Unallocated operating income and expenses | | | | | **(23,913)** | (35,018) | **–** | – | **(23,913)** | (35,018) |
| Profit/(loss) from operations | | | | | **154,615** | 144,630 | **–** | (1,069) | **154,615** | 143,561 |
| Finance costs | | | | | **(14,579)** | (22,961) | **–** | (130) | **(14,579)** | (23,091) |
| Profit/(loss) before taxation | | | | | **140,036** | 121,669 | **–** | (1,199) | **140,036** | 120,470 |
| Taxation | | | | | **(72)** | – | **–** | – | **(72)** | – |
| Profit/(loss) for the year | | | | | **139,964** | 121,669 | **–** | (1,199) | **139,964** | 120,470 |

## 5. SEGMENTAL INFORMATION (CONTINUED)

**Primary reporting format – business segments (continued)**

| | Continuing operations | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Holding and operating of hotels | | Trading of listed securities | | Total | | Manufacturing and selling of watches and watch components *(note)* | | Consolidated | |
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| Segment assets | **3,017,657** | 2,909,781 | **26,379** | 164 | **3,044,036** | 2,909,945 | **–** | – | **3,044,036** | 2,909,945 |
| Unallocated assets | | | | | **390,970** | 41,920 | **–** | – | **390,970** | 41,920 |
| Total assets | | | | | **3,435,006** | 2,951,865 | **–** | – | **3,435,006** | 2,951,865 |
| Segment liabilities | **31,406** | 29,062 | **72** | – | **31,478** | 29,062 | **–** | – | **31,478** | 29,062 |
| Unallocated liabilities | | | | | **142,567** | 322,936 | **–** | – | **142,567** | 322,936 |
| Total liabilities | | | | | **174,045** | 351,998 | **–** | – | **174,045** | 351,998 |
| Other information | | | | | | | | | | |
| Capital expenditure | **20,877** | 36,061 | **–** | – | | | **–** | 478 | | |
| Depreciation and amortisation | **112,867** | 110,036 | **–** | – | | | **–** | 518 | | |
| Significant non-cash expenses (other than depreciation and amortisation) | **1,892** | 1,500 | **4,635** | – | | | **–** | – | | |

*Note:* During the year ended 31 December 2006, the Group disposed of its watch business which engaged in manufacturing and selling of watches and watch components.

## 5. SEGMENTAL INFORMATION (CONTINUED)

### Secondary reporting format – geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, segment assets and capital expenditure are based on the geographical location of the assets.

The following is an analysis of the Group's sales by geographical market:

| | Continuing operations | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Holding and operating of hotels | | Trading of listed securities | | Total | | Manufacturing and selling of watches and watch components | | Consolidated | |
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| The People's Republic of China ("PRC") including Hong Kong excluding Macau | **–** | – | **61,650** | 10,872 | **61,650** | 10,872 | **–** | 5,799 | **61,650** | 16,671 |
| Macau | **474,135** | 442,516 | **–** | – | **474,135** | 442,516 | **–** | – | **474,135** | 442,516 |
| Middle East | **–** | – | **–** | – | **–** | – | **–** | 10,316 | **–** | 10,316 |
| South America | **–** | – | **–** | – | **–** | – | **–** | 43,802 | **–** | 43,802 |
| North America | **–** | – | **–** | – | **–** | – | **–** | 2,764 | **–** | 2,764 |
| Europe | **–** | – | **–** | – | **–** | – | **–** | 323 | **–** | 323 |
| Other locations | **–** | – | **–** | – | **–** | – | **–** | 1,345 | **–** | 1,345 |
| | **474,135** | 442,516 | **61,650** | 10,872 | **535,785** | 453,388 | **–** | 64,349 | **535,785** | 517,737 |

The following is an analysis of the carrying amount of segment assets by location of assets:

| | Continuing operations | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Holding and operating of hotels | | Trading of listed securities | | Total | | Manufacturing and selling of watches and watch components | | Consolidated | |
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| The People's Republic of China ("PRC") including Hong Kong excluding Macau | **1,926** | 717 | **26,379** | 164 | **28,305** | 881 | **–** | – | **28,305** | 881 |
| Macau | **3,015,731** | 2,909,064 | **–** | – | **3,015,731** | 2,909,064 | **–** | – | **3,015,731** | 2,909,064 |
| Unallocated assets | | | | | **390,970** | 41,920 | **–** | – | **390,970** | 41,920 |
| | | | | | **3,435,006** | 2,951,865 | **–** | – | **3,435,006** | 2,951,865 |

## 5. SEGMENTAL INFORMATION (CONTINUED)

**Secondary reporting format – geographical segments (continued)**

The following is an analysis of the capital expenditures by location of assets:

| | Continuing operations | | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Holding and operating of hotels | | Unallocated | | Total | | Manufacturing and selling of watches and watch components | | Consolidated | |
| | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 |
| The People's Republic of China ("PRC") including Hong Kong and excluding Macau | – | – | 37 | 994 | 37 | 994 | – | 478 | 37 | 1,472 |
| Macau | 20,877 | 36,061 | – | – | 20,877 | 36,061 | – | – | 20,877 | 36,061 |
| | 20,877 | 36,061 | 37 | 994 | 20,914 | 37,055 | – | 478 | 20,914 | 37,533 |

## 6. OTHER INCOME

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Interest income | 13,511 | 3,828 |
| Dividend income | 781 | – |
| Sundry income | 4,290 | 2,981 |
| | 18,582 | 6,809 |
| **Discontinued operations** | | |
| Sundry income | – | 80 |
| | 18,582 | 6,889 |

## 7. STAFF COSTS

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Staff costs (including directors' remuneration) | | |
| – salaries, wages and other benefits | **27,251** | 24,794 |
| – contributions to defined contribution retirement plan | **123** | 123 |
| – equity-settled share-based payment expenses in relation to the grant of share options *(NB1)* | **925** | 22,784 |
| Amount shown as staff costs in the consolidated income statement | **28,299** | 47,701 |
| Staff costs included in operating costs in the consolidated income statement | **52,256** | 44,705 |
| Total staff costs for continuing operations | **80,555** | 92,406 |
| **Discontinued operations** | | |
| Staff costs | | |
| – salaries, bonus, allowances and benefits in kind | **–** | 15,232 |

*NB1:* The Company granted 88,070,000 options during the year ended 31 December 2006. Details refer to note 28(ii).

## 8. FINANCE COSTS

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Interest on bank loans and overdrafts | **13,210** | 23,069 |
| Interest on other loans | **1,369** | 12 |
| Finance charges on obligation under finance lease | **–** | 10 |
| | **14,579** | 23,091 |
| Attributable to: | | |
| Continuing operations | **14,579** | 22,961 |
| Discontinued operations | **–** | 130 |
| | **14,579** | 23,091 |

## 9. TAXATION

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Current tax | | |
| – Hong Kong profits tax | **72** | – |
| Deferred tax *(note 29)* | | |
| – Current year | **–** | – |
| | **72** | – |
| Attributable to: | | |
| Continuing operations | **72** | – |
| Discontinued operations | **–** | – |
| | **72** | – |

(a) Hong Kong profits tax has been provided in the financial statements at the rate of 17.5% on the estimated profits arising from Hong Kong for the year (2006 nil).

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the year (2006: nil).

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

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Profit from continuing operations | **140,036** | 121,669 |
| Loss from discontinued operations | **–** | (1,199) |
| Profit before taxation | **140,036** | 120,470 |
| Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions *(note)* | **24,488** | 21,869 |
| Tax effect of non-deductible expenses | **14,435** | 28,291 |
| Tax effect of non-taxable income | **(46,761)** | (63,050) |
| Reversal of deferred tax not recognised | **(1,287)** | – |
| Deferred tax assets not recognised | **9,197** | 12,890 |
| Taxation for the year | **72** | – |

*Note:* The tax rates adopted here are 15% for those entities operating in Macau and 17.5% for entities operating in other jurisdictions.

## 10. DISCONTINUED OPERATIONS

On 2 May 2006, the Company entered into an agreement with a third party for the disposal of its entire 100% shareholding interest in Million-Well Enterprises Corp. ("Million-Well") and a shareholder's loan in the sum of approximately HK$228 million due from Million-Well to the Company. Million-Well is an investment holding company and the Million-Well group is engaged in the manufacturing and trading of watches and watch components business ("Watch Business"). The cash consideration was HK$2 million. The transaction was completed on 30 June 2006. The gain on disposal of the Watch Business amounted to HK$6,172,000. Details of the assets and liabilities disposed of are disclosed in note 32.

The results of the discontinued operations included in the consolidated income statement are set out below.

| | **2007 HK$'000** | 2006 HK$000 |
|---|---|---|
| **Loss for the year from discontinued operations** | | |
| Turnover | – | 64,349 |
| Cost of sales | – | (61,036) |
| Gross profit | – | 3,313 |
| Other operating income | – | 80 |
| Distribution costs | – | (396) |
| Administrative expenses | – | (1,509) |
| Staff costs | – | (2,557) |
| Finance costs | – | (130) |
| Loss before taxation | – | (1,199) |
| Taxation credit | – | – |
| Loss for the year from discontinued operations | – | (1,199) |
| **Cash flows used in discontinued operations** | | |
| Net cash flows from operating activities | – | 5,571 |
| Net cash flows used in investing activities | – | (118) |
| Net cash flows used in financing activities | – | (5,616) |
| | – | (163) |

## 11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting) the following:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Cost of inventories sold *(note 1)* | **66,352** | 86,597 |
| Attributable to: | | |
| – continuing operations | **66,352** | 25,561 |
| – discontinued operations | **–** | 61,036 |
| Auditors' remuneration *(note 2)* | | |
| – audit services | **500** | 500 |
| – tax services | **4** | 4 |
| – other services | **41** | 319 |
| Amortisation of land lease premium *(note 2)* | **19,066** | 19,066 |
| Depreciation *(note 2)* | | |
| – owned assets | **94,718** | 92,270 |
| – leased assets | **–** | 3 |
| Amortisation and depreciation attributable to: | | |
| – continuing operations | **113,784** | 110,821 |
| – discontinued operations | **–** | 518 |
| Operating lease charges for hire of properties | | |
| – minimum lease payments *(note 2)* | **2,649** | 3,023 |
| Attributable to: | | |
| – continuing operations | **2,649** | 2,871 |
| – discontinued operations | **–** | 152 |
| Other operating expenses | | |
| – impairment losses for trade and other receivables – continuing operations | **1,748** | 2,767 |
| – loss on disposal of property, plant and equipment – continuing operations | **1,890** | 1,500 |
| Other losses | | |
| – net unrealised loss on trading securities | **4,635** | – |

*Notes:*

(1) Included in costs of inventories sold were operating lease rentals and depreciation of HK$nil (2006: HK$14,000) and HK$nil (2006: HK$227,000) respectively, which had also been included in operating lease charges and depreciation disclosed above.

(2) Except for the amounts mentioned in note 1 above, which had been included in other items in the consolidated income statement, these amounts had been included in administrative expenses in the consolidated income statement.

## 12. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$74,138,000 (2006: HK$36,882,000) which has been dealt with in the financial statements of the Company.

## 13. DIVIDENDS

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$000 |
| Interim, paid – nil (2006: HK3 cents) per share | **–** | 36,380 |

The final dividend of HK1 cent per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The board of directors also recommended a bonus warrant for every five shares held, at an exercise price of HK35 cents per share with a two year's term.

## 14. EARNINGS PER SHARE

| | **2007** | 2006 |
|---|---|---|
| | **HKcent** | HKcent |
| | | (restated) |
| **Basic earnings per share** | | |
| From continuing operations | **1.97** | 2.00 |
| From discontinued operations | **–** | (0.02) |
| Total basic earnings per share | **1.97** | 1.98 |
| **Diluted earnings per share** | | |
| From continuing operations | **1.93** | 2.00 |
| From discontinued operations | **–** | (0.02) |
| Total diluted earnings per share | **1.93** | 1.98 |

## 14. EARNINGS PER SHARE (CONTINUED)

### (a) Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 2007 HK$'000 | 2006 HK$000 |
|---|---|---|
| Profit for the year attributable to equity holders of the Company | 138,438 | 120,334 |
| Loss for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations | – | (1,199) |
| Earnings used in the calculation of basic earnings per share from continuing operations | 138,438 | 121,533 |

| | 2007 | 2006 (restated) |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 7,030,272,876 | 6,076,022,750 |

Weighted average number of ordinary shares for the year ended 31 December 2006 is restated by bonus issue of ordinary shares on the basis of four bonus shares for one share.

### (b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are the same as those for the basic earnings per share, as outlined above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | 2007 | 2006 (restated) |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 7,030,272,876 | 6,076,022,750 |
| Shares deemed to be issued for no consideration in respect of: | | |
| – Share options | 91,467,052 | – |
| – Warrants | 52,499,714 | – |
| | 7,174,239,642 | 6,076,022,750 |

For year ended 31 December 2006, share options and warrants had no dilutive effect as the average market price of ordinary shares during that year did not exceed the exercise price of the share options and warrants.

## 15. DIRECTORS' REMUNERATION

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2007 and 2006 is set as follows:

| | Directors' fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Share-based payments HK$'000 | Retirement scheme contribution HK$'000 | 2007 Total HK$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Chu Yuet Wah | – | 5,534 | – | 12 | 5,546 |
| Wong Hin Shek | – | 1,633 | – | 12 | 1,645 |
| Chi Chi Hung, Kenneth (resigned on 29 March 2007) | – | 226 | – | 2 | 228 |
| **Non-executive directors** | | | | | |
| Chu Nicholas Yuk Yui | 650 | 333 | – | – | 983 |
| **Independent non-executive directors** | | | | | |
| Wong Yun Kuen | 60 | – | – | – | 60 |
| Lo Miu Shueng, Betty | 60 | – | – | – | 60 |
| Lau Man Tak, Ronald | 60 | – | – | – | 60 |
| | 830 | 7,726 | – | 26 | 8,582 |

## 15. DIRECTORS' REMUNERATION (CONTINUED)

| | Directors' fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Share-based payments HK$'000 | Retirement scheme contribution HK$'000 | 2006 Total HK$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Cheung Yu Shum, Jenkin (resigned on 10 February 2006) | – | – | – | – | – |
| Chu Yuet Wah | – | 4,200 | 689 | 12 | 4,901 |
| Wong Hin Shek | – | 1,300 | 3,338 | 12 | 4,650 |
| Chi Chi Hung, Kenneth | – | 1,210 | 3,338 | 12 | 4,560 |
| **Non-executive directors** | | | | | |
| Lee Wai Man (resigned on 10 February 2006) | 136 | – | – | – | 136 |
| Chu Nicholas Yuk Yui (appointed on 10 February 2006) | 584 | – | 689 | – | 1,273 |
| **Independent non-executive directors** | | | | | |
| Wong Yun Kuen | 60 | – | – | – | 60 |
| Lo Miu Shueng, Betty | 60 | – | – | – | 60 |
| Lau Man Tak, Ronald | 60 | – | – | – | 60 |
| | 900 | 6,710 | 8,054 | 36 | 15,700 |

No directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2006 and 2007.

There were no emoluments paid or payable as an inducement to directors to join the Group and no emoluments were paid or payable to the directors as compensation for loss of office during the years ended 31 December 2006 and 2007.

## 16. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2006: 3) are directors whose emoluments are disclosed in note 15. The emoluments in respect of the remaining two (2006: 2) highest paid individuals are as follows:

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Salaries and other emoluments | **1,484** | 1,020 |
| Retirement scheme contributions | **–** | 12 |
| Share-based payments | **471** | 6,676 |
| | **1,955** | 7,708 |

No emoluments were paid or payable to the above highest paid individual as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 2006 and 2007.

## 17. PROPERTY, PLANT AND EQUIPMENT

| The Group | Leasehold building held for own use HK$'000 | Plant and machinery HK$'000 | Leasehold improvement, furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| At 1 January 2006 | 1,750,984 | 41,696 | 250,276 | 5,808 | 2,048,764 |
| Additions | – | – | 35,074 | 2,459 | 37,533 |
| Disposals | – | – | (2,224) | – | (2,224) |
| Disposal of subsidiaries | (19,163) | (41,696) | (10,108) | (2,636) | (73,603) |
| Adjustment on revaluation | – | – | – | – | – |
| At 31 December 2006 | 1,731,821 | – | 273,018 | 5,631 | 2,010,470 |
| Representing: | | | | | |
| Cost | – | – | 273,018 | 5,631 | 278,649 |
| At 2006 valuation | 1,731,821 | – | – | – | 1,731,821 |
| | 1,731,821 | – | 273,018 | 5,631 | 2,010,470 |
| At 1 January 2007 | 1,731,821 | – | 273,018 | 5,631 | 2,010,470 |
| Additions | – | – | 19,717 | 1,197 | 20,914 |
| Disposals | – | – | (2,916) | (253) | (3,169) |
| Adjustment on revaluation | 653 | – | – | – | 653 |
| At 31 December 2007 | 1,732,474 | – | 289,819 | 6,575 | 2,028,868 |
| Representing: | | | | | |
| Cost | – | – | 289,819 | 6,575 | 296,394 |
| At 2007 valuation | 1,732,474 | – | – | – | 1,732,474 |
| | 1,732,474 | – | 289,819 | 6,575 | 2,028,868 |

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| The Group | Leasehold building held for own use HK$'000 | Plant and machinery HK$'000 | Leasehold improvement, furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| At 1 January 2006 | – | 39,873 | 33,014 | 2,219 | 75,106 |
| Charge for the year | 39,362 | 227 | 51,431 | 1,253 | 92,273 |
| Eliminated on disposals | – | – | (564) | – | (564) |
| Disposal of subsidiaries | – | (40,100) | (9,042) | (1,767) | (50,909) |
| Adjustment on revaluation | (39,321) | – | – | – | (39,321) |
| At 31 December 2006 | 41 | – | 74,839 | 1,705 | 76,585 |
| At 1 January 2007 | 41 | – | 74,839 | 1,705 | 76,585 |
| Charge for the year | 40,277 | – | 52,784 | 1,657 | 94,718 |
| Eliminated on disposals | – | – | (1,020) | (114) | (1,134) |
| Adjustment on revaluation | (40,318) | – | – | – | (40,318) |
| At 31 December 2007 | – | – | 126,603 | 3,248 | 129,851 |
| Net book value | | | | | |
| At 31 December 2007 | 1,732,474 | – | 163,216 | 3,327 | 1,899,017 |
| At 31 December 2006 | 1,731,780 | – | 198,179 | 3,926 | 1,933,885 |

(a) The leasehold buildings held for own use are situated in Macau under medium term leases.

(b) The Group's buildings for own use were revalued by AA Property Services Limited, an independent professional valuer, on an open market value basis as at 31 December 2007.

(c) As at 31 December 2007, the total amount of revaluation surpluses of HK$40,971,000 (2006: HK$39,321,000) have been transferred to the leasehold buildings revaluation reserve of the Group.

(d) Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been HK$825,594,000 (2006: HK$845,247,000).

(e) The carrying amount of the Group's equipment included an amount of HK$nil (2006: HK$10,000) in respect of assets held under finance lease.

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(f) The leasehold buildings for own use with net book value at 31 December 2007 of HK$1,730,000,000 (2006: HK$1,730,000,000) were pledged to the bank for banking facilities granted to the Group (note 26).

| **The Company** | **Leasehold improvement, furniture, fixtures and equipment** HK$'000 | **Motor Vehicles** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| Cost | | | |
| At 1 January 2006 | 2,275 | 173 | 2,448 |
| Additions | 126 | 868 | 994 |
| At 31 December 2006 | 2,401 | 1,041 | 3,442 |
| At 1 January 2007 | 2,401 | 1,041 | 3,442 |
| Additions | 37 | – | 37 |
| Disposals | (7) | – | (7) |
| At 31 December 2007 | 2,431 | 1,041 | 3,472 |
| Accumulated depreciation | | | |
| At 1 January 2006 | 406 | 29 | 435 |
| Charge for the year | 561 | 224 | 785 |
| At 31 December 2006 | 967 | 253 | 1,220 |
| At 1 January 2007 | 967 | 253 | 1,220 |
| Charge for the year | 574 | 343 | 917 |
| Eliminated on disposals | (2) | – | (2) |
| At 31 December 2007 | 1,539 | 596 | 2,135 |
| Net book value | | | |
| At 31 December 2007 | 892 | 445 | 1,337 |
| At 31 December 2006 | 1,434 | 788 | 2,222 |

## 18. PREPAID LAND LEASE PREMIUM

| | The Group HK$'000 |
|---|---|
| Cost | |
| At 1 January 2006 | 852,857 |
| Disposal of subsidiaries | (2,153) |
| At 31 December 2006 and 2007 | 850,704 |
| Accumulated amortisation | |
| At 1 January 2006 | 12,080 |
| Provided for the year | 19,066 |
| Disposal of subsidiaries | (427) |
| At 31 December 2006 and 1 January 2007 | 30,719 |
| Provided for the year | 19,066 |
| At 31 December 2007 | 49,785 |
| Net book value | |
| At 31 December 2007 | 800,919 |
| At 31 December 2006 | 819,985 |

At 31 December 2007, the land lease of the Group are situated in the Macau and are held under medium term leases. The leasehold land with net book value at 31 December 2007 of HK$800,252,000 (2006: HK$819,302,000) was pledged to the bank for banking facilities granted to the Group (note 26).

Analysed for reporting purposes as:

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Current asset | **19,066** | 18,905 |
| Non-current asset | **781,853** | 801,080 |
| | **800,919** | 819,985 |

## 19. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **–** | – |
| Amounts due from subsidiaries | **1,724,704** | 1,581,061 |
| Amounts due to subsidiaries | **(139,235)** | (217,574) |
| Less: impairment loss | **–** | – |
| | **1,585,469** | 1,363,487 |

Included in amounts due from subsidiaries are loans of HK$450,000,000 (2006: HK$350,000,000) which bear interest at 5% per annum.

Apart from the above, the amounts due from/to subsidiaries were unsecured, interest-free and had no fixed term of repayment. The amounts were non-current in nature.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

| Name of company | Place of incorporation/ registration and operation | Particulars of registered/ issued and paid up share capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Bebright Limited | British Virgin Islands | US$1 | 100% | 100% | – | Investment holding |
| Futuremind Holdings Limited | British Virgin Islands | US$1 | 100% | – | 100% | Investment holding |
| GR Casa Real Holdings Limited | British Virgin Islands | US$5 | 100% | – | 100% | Investment holding |
| GR Casa Real (HK) Company Limited | Hong Kong | HK$2 | 100% | – | 100% | Operating booking office for Casa Real Hotel |
| GR Casa Real Company Limited | Macau | MOP100,000 | 100% | – | 100% | Operating Casa Real Hotel |
| Golden Resorts Group Hotel Investment Limited | Macau | MOP100,000 | 100% | – | 100% | Operating Grandview Hotel |

## 19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Place of incorporation/ registration and operation | Particulars of registered/ issued and paid up share capital | Proportion of ownership interest Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Goventure Finance Limited^ | British Virgin Islands | US$1 | 100% | 100% | – | Operating casino in hotels |
| Next Champion Limited | British Virgin Islands | US$1 | 100% | 100% | – | Investment holding |
| Golden 28 Club* | Macau | HK$30,000,000 | 80% | – | 80% | Operating casino in hotels |
| Crystal Sea Group Limited | British Virgin Islands | US$1 | 100% | 100% | – | Investment holding |
| Noble Brand Limited# | British Virgin Islands | US$1 | 100% | 100% | – | Trading of listed securities |

# Companies operate principally in Hong Kong instead of in their respective places of incorporation/ establishment.

^ Companies operate principally in Macau instead of in their respective places of incorporation/ establishment.

* Golden 28 Club is registered in Macau as an individual enterprise in the name of Mrs. Chu Yuet Wah.

## 20. INVENTORIES

| | The Group 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Food and beverage | **2,497** | 1,965 |

## 21. AVAILABLE-FOR-SALE INVESTMENT

| | The Group 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Investment funds, at fair value | **25,887** | 15,539 |

The investment funds are denominated in United States dollars and there is no public market for the investment funds.

Changes in fair value of available-for-sale investment are recognised in investment revaluation reserve.

## 22. TRADING SECURITIES

| | The Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| – Equity securities listed in Hong Kong, at market value | **15,261** | – |

Changes in fair value of financial assets at fair value through profit or loss are recognised in the consolidated income statement.

## 23. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade receivables | **51,662** | 53,472 | **–** | – |
| Deposits and prepayments | **8,492** | 18,150 | **2,719** | 856 |
| | **60,154** | 71,622 | **2,719** | 856 |

All of trade and other receivable are expected to be recovered within one year.

The following is an aging analysis of trade receivables at the balance sheet date:

| | The Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **34,680** | 42,261 |
| 31 – 60 days | **7,658** | 6,007 |
| 61 – 90 days | **1,737** | 2,111 |
| Over 90 days | **12,102** | 5,860 |
| | **56,177** | 56,239 |
| Allowance for doubtful debt | **(4,515)** | (2,767) |
| | **51,662** | 53,472 |

The Group generally allows an average credit period of 30 days to its customers. Further details on the group's credit policy are set out in note 34.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

## 23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the allowance for doubtful debt during the year is as follows:

| | The Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| At 1 January | **2,767** | – |
| Impairment loss recognised | **1,748** | 2,767 |
| At 31 December | **4,515** | 2,767 |

At 31 December 2007, the Group's trade receivable of HK$9,015,000 (2006: HK$5,470,000) were individually determined to be impaired. The individually impaired receivable related to a debtor who has dispute with the Group and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of HK$4,515,000 (2006: HK$2,767,000) was recognised. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | The Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **34,389** | 41,970 |
| Past due but not impaired: | | |
| Less than 1 month past due | **7,366** | 5,716 |
| 1 to 3 months past due | **1,722** | 2,122 |
| More than 3 months past due | **3,685** | 961 |
| | **12,773** | 8,799 |
| | **47,162** | 50,769 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 24. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **11,582** | 7,258 | **–** | – |
| Other payable and accruals | **21,559** | 18,086 | **2,565** | 2,348 |
| | **33,141** | 25,344 | **2,565** | 2,348 |

All of other trade and other payables are expected to be settled within one year.

The following is an aging analysis of trade payables at the balance sheet date:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **7,494** | 3,957 |
| 31 – 60 days | **3,227** | 2,868 |
| 61 – 90 days | **146** | 221 |
| Over 90 days | **715** | 212 |
| | **11,582** | 7,258 |

## 25. BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Bank overdrafts | **832** | 6,651 | **–** | 30 |
| Bank loans, secured – *note 26* | **140,000** | 320,000 | **–** | – |
| Obligations under finance lease – *note 27* | **–** | 3 | **–** | – |
| | **140,832** | 326,654 | **–** | 30 |
| Amount due within one year and included in current liabilities | **140,832** | 6,654 | **–** | 30 |
| Amount due after one year | **–** | 320,000 | **–** | – |

## 26. BANK LOANS, SECURED

At 31 December 2007, the secured bank loans were repayable as follows:

| | The Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Within 1 year or on demand | **140,000** | – |
| After 1 year but within 2 years | **–** | 320,000 |
| | **140,000** | 320,000 |

At 31 December 2007, the banking facilities of certain subsidiaries were secured by mortgages over their leasehold land and buildings with an aggregate carrying amount of HK$2,530,252,000 (2006: HK$2,549,302,000).

At the balance sheet date, the effective interest rate of the bank loans is 4.79% (2006: 4.11%).

The carrying amounts of bank loans and overdrafts approximate to their fair value.

## 27. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2007, the Group had obligations under finance leases repayable as follows:

| | Minimum lease payment | | Present value of minimum lease payment | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amount payable under finance lease: | | | | |
| Within 1 year | **–** | 3 | **–** | 3 |
| In the second year | **–** | – | **–** | – |
| In the third and fifth years, inclusive | **–** | – | **–** | – |
| *Less:* future finance charges | **–** | – | **–** | – |
| Present value of lease obligation | **–** | 3 | **–** | 3 |
| *Less:* amount due for settlement within one year shown under current liabilities | | | **–** | (3) |
| Amount due for settlement after one year | | | **–** | – |

## 28. EMPLOYEE RETIREMENT BENEFITS

### (i) Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employee are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

### (ii) Share option scheme

The Company has a share option scheme (the "Scheme") which was adopted on 7 June 2004 whereby the directors of the Company may, at their discretion, select participants as incentives or rewards for their contribution to the Group to take up options at HK$1 per option to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time. The total number of shares available for issue under the Scheme as at 31 December 2007 is 1,824,104,747 which represents 24.6% of the issued share capital as at the date of this annual report. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option or in accordance with the terms of the Scheme at any time during a period to be notified by board of directors to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

## 28. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

### (ii) Share option scheme (continued)

Details of the share options outstanding as at 31 December 2007 which have been granted under the Scheme are as follows:

| Name or category of participants | Date of grant | Exercise period | Exercise price (adjusted) *(note 1)* | Balance at 1 January 2007 (adjusted) *(note 1)* | Exercised in 2007 (adjusted) *(note 1)* | Lapsed in 2007 (adjusted) *(note 1)* | Balance at 31 December 2007 |
|---|---|---|---|---|---|---|---|
| Directors: | | | | | | | |
| Chu Yuet Wah | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 12,500,000 | – | – | 12,500,000 |
| Chu Yuk Yui | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 12,500,000 | – | – | 12,500,000 |
| Wong Hin Shek | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 60,600,000 | – | – | 60,600,000 |
| Chi Chi Hung | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 60,600,000 | – | 60,600,000 | – |
| Staff | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 121,200,000 | 121,200,000 | – | – |
| | | 1/1/2007 to 31/12/2009 | HK$0.40 | 23,850,000 | 6,671,000 | 3,240,000 | 13,939,000 |
| Consultants | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 146,200,000 | 73,100,000 | 12,500,000 | 60,600,000 |
| | | | | 437,450,000 | 200,971,000 | 76,340,000 | 160,139,000 |

*Note 1:* The exercise price, the number of options outstanding as at 1 January 2007, the number of options exercised and lapsed during the years ended 31 December 2007 have been adjusted in accordance with the bonus issue on basis of four bonus shares for every share held.

*Note 2:* The weighted average share price during the year ended 31 December 2007 was HK$0.57.

The estimated fair value of the options granted during the year ended 31 December 2006 was HK$0.2754.

The fair value was calculated using the Binomial pricing model. The inputs into the model were as follows:

| | |
|---|---|
| Weighted average share price | HK$1.95 |
| Exercise price | HK$2.00 |
| Expected volatility | 9% |
| Expected life | 3 years |
| Risk-free rate | 4.15% |
| Expected dividend yield | 0% |

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

## 28. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

### (ii) Share option scheme (continued)

Because the Binomial pricing model requires the input of highly substantive assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

A share-based payment expense amounting to HK$925,000 (2006: HK$22,784,000) has been recognised by the Company for the year ended 31 December 2007 in relation to share options granted by the Company.

## 29. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

| | Accelerated tax depreciation HK$'000 | Other Assets HK$'000 | Unused tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2006 | 4 | 70 | 5,591 | 5,665 |
| Disposal of subsidiaries | (1) | (70) | (19) | (90) |
| Credit to consolidated income statement | – | – | – | – |
| At 31 December 2006 | 3 | – | 5,572 | 5,575 |
| Credit to consolidated income statement | – | – | – | – |
| At 31 December 2007 | 3 | – | 5,572 | 5,575 |

At 31 December 2007, the Group has unused tax losses of approximately HK$234,568,000 (2006: approximately HK$183,903,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 December 2007 in respect of HK$37,143,000 (2006: 37,143,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for a period of:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| One year | 35,771 | – |
| More than one year but not more than two years | 101,950 | 51,654 |
| More than two years but not more than three years | 59,196 | 85,840 |
| Indefinitely | 508 | 9,266 |
| | 197,425 | 146,760 |

## 30. SHARE CAPITAL

| | 2007 Number of shares | 2007 Amount HK$'000 | 2006 Number of shares | 2006 Amount HK$'000 |
|---|---|---|---|---|
| Ordinary shares of HK$0.01 each | | | | |
| Authorised: | | | | |
| At 1 January | 30,000,000,000 | 300,000 | 3,000,000,000 | 300,000 |
| Capital reduction | – | – | 27,000,000,000 | – |
| At 31 December | 30,000,000,000 | 300,000 | 30,000,000,000 | 300,000 |
| Issued and fully paid: | | | | |
| At 1 January | 1,232,481,098 | 12,324 | 1,212,651,098 | 121,265 |
| Capital reduction | – | – | – | (109,139) |
| Share repurchased | (38,782,000) | (387) | – | – |
| Issue of share by way of Top-Up Subscription | 220,000,000 | 2,200 | – | – |
| Issue of shares under share option plan | 197,697,400 | 1,977 | 19,830,000 | 198 |
| Bonus issue | 5,802,285,992 | 58,023 | – | – |
| At 31 December | 7,413,682,490 | 74,137 | 1,232,481,098 | 12,324 |

Details of the changes in the Company's share capital during the year ended 31 December 2007 are as follows:

(i) During the year, the Company purchased 38,782,000 of its ordinary shares on the Stock Exchange of Hong Kong. All the shares purchased were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of shares acquired by month are as follows:

| Month | Number purchased | Highest price paid *HK$* | Lowest price paid *HK$* | Total cost *HK$'000* |
|---|---|---|---|---|
| January 2007 | 666,000 | 1.62 | 1.58 | 1,068 |
| February 2007 | 2,062,000 | 1.85 | 1.61 | 3,573 |
| August 2007 | 960,000 | 0.61 | 0.61 | 585 |
| December 2007 | 35,094,000 | 0.52 | 0.42 | 17,204 |
| | 38,782,000 | | | 22,430 |

## 30. SHARE CAPITAL (CONTINUED)

(ii) On 10 April 2007, 220,000,000 shares were subscribed by Mrs. Chu Yuet Wah, the director of the Company and Sure Expert Limited (collectively, the "Vendors") pursuant to the top-up subscription agreement dated 30 March 2007 entered into between the Company and the Vendors at a price of HK$1.98 per share (the "Top-Up Subscription"). The Top-Up Subscription issue price of HK$1.98 represents (i) a discount of approximately 12.39% to the closing price of HK$2.26 per share as quoted on the Stock Exchange on the last trading date; (ii) a discount of approximately 2.65% to the average closing price per share of approximately HK$2.034 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading date; and (iii) a premium of approximately 0.3% over the average closing price per share of HK$1.974 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date.

(iii) During the year, 197,697,400 ordinary shares of HK$0.01 each were issued pursuant to the share option scheme of the Company at consideration of HK$80,388,000 of which HK$1,977,000 was credited to share capital and the balance of HK$78,411,000 was credited to the share premium account.

(iv) On 11 May 2007, 5,802,285,992 bonus shares of HK$0.01 each were issued based on the basis of four bonus shares for every share held.

### Warrants

As at 31 December 2007, the Company had outstanding 400,000,000 warrants (as adjusted for bonus issue on basis of four bonus shares for every share held) conferring rights to subscribe up to HK$200,000,000 in aggregate in cash for shares at an adjusted subscription price of HK$0.50 granted to Sure Expert to retain Mrs. Chu's support to the Company as a consultant in the future in respect of the management of Grandview Hotel. Each warrant confers upon the holder the right to subscribe in cash for one ordinary share of HK$0.01 each in the Company at any time until 31 March 2008. Details of granting of warrants are disclosed in the Company's circular dated 22 February 2005.

### Capital Management

Capital comprises of share capital and reserves stated on the consolidated balance sheet. The Group's primary objectives when managing capital are:

– to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

– to maintain an optimal capital structure to reduce the cost of capital; and

– to provide capital for the purpose of potential acquisitions.

## 30. SHARE CAPITAL (CONTINUED)

**Capital Management (continued)**

The Group regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. The Group manages capital by adjusting the amount of dividends paid to shareholders, share repurchase, share reduction or issue new shares.

As in prior year, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total debt less cash and cash equivalents over net assets. Total debt is calculated as total borrowings including current and non-current borrowings.

During 2007, the Group's strategy was to maintain lower net gearing ratio. The net gearing ratios at 31 December 2007 and 2006 were as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total debt *(note 25)* | **140,832** | 326,654 |
| Less: Cash and cash equivalents *(note 33)* | **605,740** | 95,770 |
| Net (cash)/debts | **(464,908)** | 230,884 |
| Net assets | **3,260,961** | 2,599,867 |
| Net gearing ratio | **N/A** | 8.9% |

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 27 to 28 of the financial statements.

| Company | Share premium account HK$'000 | Contributed surplus HK$'000 | Employee share-based payment reserve HK$'000 | Retained earnings/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2006 | 1,415,424 | 69,332 | 496,800 | (776,077) | 1,205,479 |
| Capital reduction | (218,938) | – | (448,000) | 776,077 | 109,139 |
| Issue of shares upon exercise of share option | 29,745 | – | – | – | 29,745 |
| Employee share-based payment | – | – | 22,784 | – | 22,784 |
| Profit for the year | – | – | – | 36,882 | 36,882 |
| Dividend paid | – | – | – | (36,380) | (36,380) |
| At 31 December 2006 | 1,226,231 | 69,332 | 71,584 | 502 | 1,367,649 |
| At 1 January 2007 | 1,226,231 | 69,332 | 71,584 | 502 | 1,367,649 |
| Share repurchased | (22,043) | – | – | – | (22,043) |
| Issue of share by way of Top-Up Subscription | 421,885 | – | – | – | 421,885 |
| Issue of shares upon exercise of share option | 89,482 | – | (11,071) | – | 78,411 |
| Bonus issue | (58,023) | – | – | – | (58,023) |
| Employee share-based payment | – | – | 925 | – | 925 |
| Forfeiture of share options | – | – | (4,027) | 4,027 | – |
| Profit for the year | – | – | – | 74,138 | 74,138 |
| At 31 December 2007 | 1,657,532 | 69,332 | 57,411 | 78,667 | 1,862,942 |

## 31. RESERVES (CONTINUED)

(a) The share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses.

(b) The contributed surplus represents the difference between the nominal value of the Company's shares issued and the value of net assets of the underlying subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) The employee share-based payment reserve comprises the following:

- the fair value of the shares given by the controlling shareholder for equity-settled share-based payment transaction recognised in accordance with HKFRS 2.
- the fair value of unlisted warrant granted for share-based payment transaction recognised in accordance with HKFRS 2.
- the fair value of unexercised share options granted to employees of the Company recognised in accordance with HKFRS 2. Details are set out in note 28.

The reserve available for distribution by the Company to the shareholders as at 31 December 2007 is approximately HK$147,999,000. (2006: HK$69,834,000).

## 32. DISPOSAL OF SUBSIDIARIES

On 2 May 2006, the Company entered into an agreement with a third party for the disposal of its entire 100% shareholding interest in Million-Well together with its subsidiaries (the "Million-Well Group") and a shareholder's loan in the sum of approximately HK$228 million due from Million-Well to the Company. The net liabilities of Million-Well Group at the date of disposal were as follows:

| | HK$'000 |
|---|---|
| Net liabilities disposed of: | |
| Properties, plant and equipment | 22,694 |
| Prepaid land lease premium | 1,726 |
| Deferred tax assets | 90 |
| Trade and other receivables | 9,288 |
| Inventories | 13,434 |
| Bank balances and cash | 1,330 |
| Trade and other payables | (47,503) |
| Bank borrowings | (4,808) |
| Obligations under finance leases | (366) |
| Tax payables | (57) |
| Net liabilities | (4,172) |
| Gain on disposal | 6,172 |
| Consideration received – cash | 2,000 |

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | 2,000 |
| Cash and cash equivalents disposed of | (1,330) |
| Net inflow of cash and cash equivalents | 670 |

## 33. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Time deposits | **540,917** | 31,856 | **339,911** | 14,465 |
| Cash at bank and in hand | **64,823** | 63,750 | **10,208** | 1,321 |
| Cash held in a securities account maintained in a securities company | **–** | 164 | **–** | – |
| Cash and cash equivalents in the consolidated balance sheet | **605,740** | 95,770 | **350,119** | 15,786 |
| Bank overdraft *(note 25)* | **(832)** | (6,651) | | |
| Cash and cash equivalents in the consolidated cash flow statement | **604,908** | 89,119 | | |

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Group's entities of which they relate:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| In Reminbi | **7,070** | 1,441 | **6,278** | 197 |
| In United States Dollars | **19,699** | – | **19,699** | – |

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC Government.

Cash at banks and cash held in a securities account maintained in a securities company earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for varying period of between 1 days and one month depending on the immediate cash requirements of the Group, and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

## 34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

### (i) Market risk

*Foreign exchange risk*

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HK$"), Macau Paracs ("MOP") and United States Dollars ("US$"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group does not expect any significant movements in the exchange rate of US$ to Hong Kong Dollars and currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

There is no significant effect on the Group's profit after tax and equity for 2007 and 2006 in response to reasonably possible changes in the foreign exchange rates to which the Group has exposure at the balance sheet date. In this respect, it is assumed that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to foreign exchange risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. It is also assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2006.

*Interest rate risk*

The Group's exposure to interest rate risk arises primarily from its borrowings and bank deposits. Borrowings and bank deposits at variable rates expose the company to cash flow interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The management monitor the Group's exposure on ongoing basis.

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points (2006: 50 basis points) in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately HK$4,471,000 (2006: decrease/increase HK$1,161,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the company's exposure to interest rate risk for financial instruments in existence at that date. It was based on the observation of management on the historical trend of related interest rates over the past 1 year and the 100 basis point (2006: 50 basis point) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (i) Market risk (continued)

*Price risk*

The Group is exposed to price risks arising from equity investments held for trading purpose (note 22) and available-for-sale investment which's portfolio invests in securities listed in Hong Kong and other major stock market (note 21).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decision to buy or sell trading securities are based on daily monitoring of the performance of individual securities, as well as the Group's liquidity needs. Management manages this exposure by maintaining a portfolio of investments with different risk profiles. The available-for-sale investment has been chosen based on their good value and growth prospects and are monitored regularly for performance against expectations.

The following table demonstrates the sensitivity to every 10% change in the equity prices with all other variables held constant and based on their carrying amounts at the balance sheet date. For the available–for–sale investment, the impact is deemed to be on the investment revaluation reserve and no account is given for factors such as impairment, which might have impact on the income statement.

| | Increase/ decrease in percentage | Increase/ decrease in net profit HK$'000 | Increase/ decrease in other equity reserves HK$'000 |
|---|---|---|---|
| **2007** | | | |
| Trading securities | 10% | 1,274 | – |
| Available–for–sale investment | 10% | – | 1,112 |
| **2006** | | | |
| Trading securities | 10% | – | – |
| Available–for–sale investment | 10% | – | – |

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (ii) Credit risk

The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, and trade and other receivables. Management has a credit policy in place and the exposures to these credit risk are monitored on an ongoing basis.

Cash at bank are placed with high-credit-quality institutions and directors of the Company consider that the credit risk for such is minimal.

In respect of trade and other receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In order to minimise the credit risk in respect of the trade and other receivables, the Group reviews the recoverable amount at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain concentration of credit risk as 35% (2006: 39%) and 40% (2006: 54%) of total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Further quantitative disclosures in respect of the company's exposure to credit risk arising from trade and other receivables are set out in note 23.

### (iii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in short and longer term.

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (iii) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group and Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the balance sheet date) and the earliest date the company can be required to pay:

**The Group**

| | 2007 | | | 2006 | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year or on demand HK$'000 | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year or demand HK$'000 | After one year but within two year HK$'000 |
| Trade and other payables | 33,141 | 33,141 | 33,141 | 25,344 | 25,344 | 25,344 | – |
| Bank loans | 140,000 | 143,121 | 143,121 | 320,000 | 341,932 | 16,480 | 325,452 |
| Bank overdrafts | 832 | 832 | 832 | 6,651 | 6,651 | 6,651 | – |
| Finance lease obligation | – | – | – | 3 | 3 | 3 | – |
| Tax payable | 72 | 72 | 72 | – | – | – | – |
| | 174,045 | 177,166 | 177,166 | 351,998 | 373,930 | 48,478 | 325,452 |

**The Company**

| | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year or on demand HK$'000 | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year or on demand HK$'000 |
| Trade and other payables | 2,566 | 2,566 | 2,566 | 2,348 | 2,348 | 2,348 |
| Bank overdrafts | – | – | – | 30 | 30 | 30 |
| | 2,566 | 2,566 | 2,566 | 2,378 | 2,378 | 2,378 |

### (iv) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (v) Estimation of fair values

*Trading securities*

The fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

*Available-for-sale investment*

The fair value is based on net asset value of the investment fund at the balance sheet date.

*Interest-bearing borrowings*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar borrowings.

*Other financial assets and liabilities*

The notional amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values.

## 35. OPERATING LEASE ARRANGEMENT

(a) The Group leases its land and buildings under operating lease arrangements, and the terms of the leases range from one to ten years and the leases are repayable in fixed monthly installments. The lease agreements are renewable at the end of the respective lease terms. There is no arrangement for contingent rent payments.

At 31 December 2007, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

| | **2007**<br>**HK$'000** | 2006<br>HK$'000 |
|---|---|---|
| Within one year | **49,891** | 45,626 |
| After one year but within five years | **198,207** | 182,047 |
| Over five years | **356,151** | 370,433 |
| | **604,249** | 598,106 |

(b) The Group entered into non-cancellable operating lease arrangements with landlords and the terms of the leases range from one to five years.

At 31 December 2007, the Group had total future minimum lease rent payables under non-cancellable operating leases falling due as follows:

| | **2007**<br>**HK$'000** | 2006<br>HK$'000 |
|---|---|---|
| Within one year | **862** | 2,564 |
| After one year but within five years | **–** | 501 |
| | **862** | 3,065 |

## 36. COMMITMENTS AND CONTINGENT LIABILITIES

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Capital commitments: | | |
| – contracted but not provided for in the financial statements | **17,241** | 6,216 |
| – authorised but not contracted for | **1,425** | 1,500 |
| | **18,666** | 7,716 |

As at 31 December 2007, the Company has executed corporate guarantees to the total amount of HK$500,000,000 for bank loans granted to two subsidiaries, which has been wholly repayable in January 2008. The directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company as 31 December 2007 under the guarantees issued is the outstanding amount of the bank loan of the subsidiaries of HK$140,000,000 (2006: HK$320,000,000). The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value cannot be reliably measured and its transaction price was nil.

Apart from the above, the Group and the Company had no material commitments or contingent liabilities at the balance sheet date.

## 37. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party and connected transactions.

### (a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 15 and certain of the highest paid employees as disclosed in note 16 as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **10,040** | 8,630 |
| Post-employment benefits | **26** | 48 |
| Equity compensation benefits | **471** | 14,730 |
| | **10,537** | 23,408 |

Total remuneration is included in "Staff costs" (note 7).

## 37. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (CONTINUED)

***(b)*** During the year, the Group entered into the following material related party and connected transactions.

| **Name of related party** | **Nature of transaction** | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| Kingston Corporate Finance Limited *(note 1)* | Financial advisory fee *(note 2)* | **550** | 320 |
| Kingston Securities Limited *(note 1)* | Placing commission and related expenses *(note 3)* | **11,040** | – |
| | Brokerage fee in respect of dealing in securities *(note 3)* | **865** | 140 |
| | Interest expenses *(note 4)* | **1,369** | 12 |
| | Interest income *(note 5)* | **519** | – |
| Mr. Lee Wai Man *(note 6)* | Consultancy fee *(note 2)* | **1,000** | – |

*Notes:*

(1) The director, Mrs. Chu has controlling interest in the above companies.

(2) This transaction was transacted at a price agreed between the parties and in accordance with the agreement.

(3) Placing commission was charged at 2.25% and brokerage fee was charged at 0.25%.

(4) Interest was charged at prime rate plus 3% per annum.

(5) Interest income was charged at 1.5% to 2.5% per annum.

(6) Mr. Lee is the parent of Mrs. Chu.

## 38. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

### Valuation of share options granted

The fair value of share option granted was calculated using the Binomial pricing model based on the Group's management's significant inputs into calculation included an estimated life of share options granted to be three years based on exercise restrictions and behavioral consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

### Estimated fair value of leasehold properties

The fair value of each leasehold property individually is determined at each balance sheet date by independent professional valuers using the income approach whereby the incomes derived from the hotel operations with regard to past trading accounts and the rental income derived from existing tenancies on the property interest are captialised at an appropriate rate of return with due allowance for outgoings and expenses wherever applicable. This methodology is based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each leasehold property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

### Realisation of deferred tax assets

Deferred tax assets relating to tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.