

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

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

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRS"s) and Hong Kong Accounting Standards ("HKAS"s) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has early adopted HKFRS 3 "Business combinations" ("HKFRS 3") retrospectively from 1st April, 2004 in accounting for its goodwill and HKAS 36 "Impairment of assets" ("HKAS 36") and HKAS 38 "Intangible assets" ("HKAS 38").

In the current year, the Group adopted retrospectively, HKFRS 3 to business combinations and HKAS 36 and HKAS 38. HKFRS 3 requires goodwill arising from acquisitions to be determined as the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities on the date of acquisition. After initial recognition, HKFRS 3 requires goodwill to be carried at cost less accumulated impairment losses. HKFRS 3 prohibits the amortisation of goodwill. Under HKAS 36, impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. The application of HKFRS 3 has resulted in the recognition of goodwill of approximately HK\$18,301,000 which is not subject to amortisation but, impairment reviews are required. The application of HKAS 36 and HKAS 38 have no material effect to the Group.

The Group has commenced considering the potential impact of the other new or revised HKFRSs and HKASs but is not yet in a position to determine whether these new standards would have a significant impact on how its results of operation and financial position are prepared and presented. These new standards may result in changes in the future as to how the results and financial position are prepared and presented and has so concluded that the adoption of these new or revised HKFRSs and HKASs may have impact to its consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interests in the net fair values of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any identified impairment loss.

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvement	Over the relevant lease terms
Furniture, fixtures and equipment	10 – 20%
Motor vehicles	20%
Vessel	5%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Properties under development

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

Other assets

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

Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets excluding goodwill (continued)

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

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

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

Inventories

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

Revenue recognition

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

Rental income is recognised on a straight line basis over the terms of the relevant leases.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred taxation.

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 and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred taxation is the tax expected to be payable or recoverable on 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 taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred taxation 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 taxation is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Operating leases

Rental payable under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

Retirement benefit costs

Payments to retirement benefit schemes other than the costs attributable to the development of the properties are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

4. SEGMENT INFORMATION

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

(a) Business segments

	2005				Total HK\$'000
	Cruise and cruise related activities HK\$'000	Hotel and gaming operations HK\$'000	Property sales and development HK\$'000	Unallocated corporate items HK\$'000	
TURNOVER	18,236	-	-	-	18,236
RESULTS					
Segment results	6,071	(956)	17,221	(5,027)	17,309
Interest income					361
Profit from operations					17,670
Finance cost					(509)
Profit before taxation					17,161
Taxation					-
Profit after taxation					17,161
BALANCE SHEET					
Assets					
Segment assets	138,895	365,070	379,955	390,282	1,274,202
Liabilities					
Segment current liabilities	(6,966)	(5,862)	(343)	(914)	(14,085)
Amount due to a related company	-	(18,005)	-	-	(18,005)
Amounts due to minority shareholders of a subsidiary	-	(180,000)	-	-	(180,000)
Deferred taxation	-	-	(5,533)	-	(5,533)
					(217,623)
OTHER INFORMATION					
Additions to property under development, property, plant and equipment, other assets and goodwill	134,052	27,382	18,469	-	179,903
Deposits made on acquisition of a subsidiary	-	196,757	-	-	196,757
Deposits made on acquisition of property, plant and equipment	-	4,899	-	-	4,899
Depreciation of property, plant and equipment	944	-	7	-	951
Goodwill charged to the income statement	7	71	-	-	78

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property sales and development <i>HK\$'000</i>	2004 Unallocated corporate items <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER	<u>–</u>	<u>–</u>	<u>–</u>
RESULTS			
Segment results	102,993	(2,257)	100,736
Interest income			<u>2,234</u>
Profit from operations			102,970
Finance cost			<u>(679)</u>
Profit before taxation			102,291
Taxation			<u>(6,941)</u>
Profit after taxation			<u>95,350</u>
BALANCE SHEET			
Assets			
Segment assets	400,752	191	<u>400,943</u>
Liabilities			
Segment current liabilities	(1,230)	(245)	(1,475)
Amounts due to related companies	(16,000)	(9,913)	(25,913)
Amount due to a minority shareholder of a subsidiary	(17,518)	–	(17,518)
Deferred taxation	(5,533)	–	<u>(5,533)</u>
			<u>(50,439)</u>
OTHER INFORMATION			
Additions to property under development and property, plant and equipment	70	–	70
Depreciation of property, plant and equipment	2	–	2
Reversal of impairment loss in respect of property under development	<u>(93,062)</u>	<u>–</u>	<u>(93,062)</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

4. SEGMENT INFORMATION (continued) (b) Geographical segments

	Turnover	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
International waters	17,882	–
Hong Kong	354	–
	<u>18,236</u>	<u>–</u>

	Carrying amount of segment assets		Additions to property under development, property, plant and equipment, other assets and goodwill	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Mainland China	379,956	400,752	18,469	70
Macau	229,758	–	27,382	–
Hong Kong	528,570	191	146	–
Other Asia Pacific areas, including International waters	135,591	–	133,906	–
Other areas	327	–	–	–
	<u>1,274,202</u>	<u>400,943</u>	<u>179,903</u>	<u>70</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

6. PROFIT FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration (<i>note 7(a)</i>), and retirement benefit scheme contributions (<i>note 7(b)</i>)	5,792	505
Operating lease rentals in respect of rented premises	68	60
Auditors' remuneration	690	253
Depreciation of property, plant and equipment	951	2
Loss on disposal of property, plant and equipment	14	–
Goodwill charged to the income statement and included in administrative expenses	78	–
and after crediting:		
Interest income from:		
– bank and other deposits	6	41
– a minority shareholder of a subsidiary	355	2,193
Rental income (net of nil outgoings)	166	3,703
Reversal of allowance for amount due from a minority shareholder of a subsidiary	<u>2,609</u>	<u>6,779</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' and employees' emoluments

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' emoluments		
Directors' fees:		
Executive	300	300
Independent non-executive	200	200
	<u>500</u>	<u>500</u>
Other emoluments	1,500	–
	<u>2,000</u>	<u>500</u>

Emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	6	6
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>7</u>	<u>6</u>

Employees' emoluments

All five highest paid individuals of the Group for both years are directors of the Company, details of whose emoluments are set out above.

(b) Retirement benefit scheme

The employees of the Group were members of a state-managed retirement benefit scheme operated by the PRC government. The Group was required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme was to make the required contributions under the scheme. During the year, the retirement benefit scheme contributions were approximately HK\$33,000 (2004: nil).

8. FINANCE COST

The amount represents interest on amount due to a related company.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

9. TAXATION

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The charge comprises:		
PRC enterprise income tax		
– current year	–	(1,113)
– underprovision in prior years	–	(295)
Deferred taxation (<i>note 28</i>)		
– current year	–	(5,533)
	<u>–</u>	<u>(6,941)</u>
	<u>–</u>	<u>(6,941)</u>

The PRC enterprise income tax is calculated at the rates prevailing in the People's Republic of China (the "PRC").

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

9. TAXATION (continued)

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

	2005 HK\$'000	2004 <i>HK\$'000</i>
Profit before taxation	<u>17,161</u>	<u>102,291</u>
Tax charge at Hong Kong Profits Tax of 17.5% (2004: at the rate prevailing in the PRC of 33% (<i>Note</i>))	(3,003)	(33,756)
Tax effect of expenses that are not deductible for tax purpose	(1,716)	(391)
Tax effect of income that is not taxable for tax purpose	6,435	3,277
Tax effect of reversal of deductible temporary differences not previously recognised	–	25,178
Tax effect of tax losses not recognised	(1,722)	(954)
Underprovision in prior years	–	(295)
Others	6	–
Taxation for the year	<u>–</u>	<u>(6,941)</u>

Note: The Hong Kong Profits Tax rate of 17.5% is the domestic tax rate in jurisdiction where the operation of the Group is substantially based. The PRC enterprise income tax rate of 33% was the domestic tax rate in jurisdiction in previous year where the operation of the Group was substantially based.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$17,596,000 (2004: HK\$86,382,000) and on 367,647,583 (2004: 232,716,955 weighted average ordinary shares after adjusting for the effect of 1 to 10 share subdivision and rights issue effective on 3rd January, 2005 and 21st January, 2005, respectively) weighted average ordinary shares in issue during the year.

Diluted earnings per share has not been presented as the Company had no dilutive potential ordinary shares for both years.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Vessel <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st April, 2004	–	301	469	–	770
Additions	151	837	–	133,156	134,144
Disposals	–	(128)	–	–	(128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2005	151	1,010	469	133,156	134,786
DEPRECIATION					
At 1st April, 2004	–	260	422	–	682
Provided for the year	4	30	–	917	951
Eliminated on disposals	–	(114)	–	–	(114)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2005	4	176	422	917	1,519
NET BOOK VALUES					
At 31st March, 2005	147	834	47	132,239	133,267
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31st March, 2004	–	41	47	–	88
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

12. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	360,034	267,000
Currency realignment	188	(94)
Additions	76	66
	<hr/>	<hr/>
	360,298	266,972
Reversal of impairment loss	–	93,062
	<hr/>	<hr/>
At the end of the year	<u>360,298</u>	<u>360,034</u>

The property under development is situated in the PRC and is held under a land use right (the "Land") for a term of 50 years from 9th August, 1994. Included in property under development as at 31st March, 2005 is net interest capitalised of approximately HK\$21,372,000 (2004: HK\$21,372,000). However, no further interest was capitalised in 2004 and 2005.

On 26th May, 2004, the Group entered into a joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co., Ltd. ("JV Partner") to jointly develop the Land. Under the JV Agreement, the Group would provide the Land, the JV Partner would bear the full construction cost and the floor area would be split between the parties in equal shares. The Group intended to develop the property into a commercial complex. The Group had an option to put its interest in the development project to the JV Partner at a consideration of HK\$530 million.

The reversal of impairment loss of approximately HK\$93,062,000 for the year ended 31st March, 2004 was estimated by the directors of the Company with reference to an independent professional valuation as at 31st March, 2004 which was prepared after taking into account of the modifications of the development proposal and market conditions.

Details of property under development as at 31st March, 2005 are set out on page 60.

13. DEPOSITS MADE ON ACQUISITION OF A SUBSIDIARY

The amount represents deposits paid for acquisition of a subsidiary in Macau. On 3rd May, 2005, the acquisition was completed and the Group settled the remaining balance of the consideration of HK\$451,500,000.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

14. OTHER ASSETS

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Acquired upon acquisition of a subsidiary	12,562	–
Additions	14,820	–
	<hr/>	<hr/>
At the end of the year	<u>27,382</u>	<u>–</u>

On 3rd November, 2004, the Group signed an agreement which indirectly enabled the Group to acquire a property in Macau which were finally completed in May 2005. Details of which were set out in a circular to the shareholders of the Company dated 10th December, 2004. Other assets represent the renovation costs incurred on the property from 3rd November, 2004 up to the balance sheet date.

15. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April, 2004	–
Arising on acquisition of additional interests in a subsidiary	18,301
	<hr/>
At 31st March, 2005	<u>18,301</u>

As at 31st March, 2005, the carrying amount of goodwill had been allocated to the cash-generating unit ("CGU") for the property sales and development.

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

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	230	227
Less: Impairment loss recognised	(228)	(113)
	<u>2</u>	<u>114</u>

Particulars of the principal subsidiaries of the Company as at 31st March, 2005 are set out in note 36.

17. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

THE GROUP

Included in deposits, prepayments and other receivables as at 31st March, 2004 was an amount of approximately HK\$34,726,000 (net of allowance made of approximately HK\$2,609,000) due from a minority shareholder of a subsidiary. The amount was unsecured, bore interest at 1% over Hong Kong prime interest rate. As at 9th June, 2004, the balance was HK\$37,830,000 and the Group had waived this amount as part of the consideration for acquisition of the remaining 10% interests in this subsidiary from the minority shareholder (see note 30(a)).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

19. AMOUNT DUE FROM A RELATED COMPANY THE GROUP

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

Name of related company	Balance at 31st March, 2005 <i>HK\$'000</i>	Balance at 1st April, 2004 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Golden Princess Holdings Limited	<u>1,146</u>	<u>–</u>	<u>1,146</u>

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

As at 31st March, 2005, Golden Princess Holdings Limited was an indirect wholly-owned subsidiary of Gain Wealth Investments Limited, which in turn was held by Perpetual Wealth Investments Limited on trust for The A&S Unit Trust, a trust set up by Mr. Yeung Sau Shing, Albert, a deemed substantial shareholder of the Company.

20. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0 – 30 days	3,163	–
31 – 60 days	<u>466</u>	<u>–</u>
	<u><u>3,629</u></u>	<u><u>–</u></u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1st April, 2003 and 31st March, 2004	200,000,000,000	200,000
Increase in shares upon the Share Subdivision (<i>note (b)</i>)	1,800,000,000,000	–
Ordinary shares of HK\$0.0001 each at 31st March, 2005	2,000,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each at 1st April, 2003 and 31st March, 2004	11,006,883	11
Increase in shares upon the Placing (<i>note (a)</i>)	2,200,000	2
Increase in shares upon the Share Subdivision (<i>note (b)</i>)	118,861,947	–
Increase in shares upon the Rights Issue (<i>note (c)</i>)	660,344,150	66
Increase in shares upon the Subscription (<i>note (d)</i>)	31,950,000	3
Increase in shares upon the Allotment of Shares (<i>note (e)</i>)	104,409,000	11
Ordinary shares of HK\$0.0001 each at 31st March, 2005	928,771,980	93

Notes:

- (a) On 16th November, 2004, the Company entered into a placing agreement with an independent placing agent to place and issue in aggregate 2,200,000 new shares of HK\$0.001 each of the Company at the price of HK\$10.00 per share ("Placing"). The Placing was completed on 6th December, 2004. The Company planned to use the proceeds for general working capital of the Group. The shares issued rank *pari passu* in all respects with the then existing shares of the Company.
- (b) On 3rd January, 2005, a resolution was passed at the special general meeting of the Company pursuant to which every issued and unissued share of HK\$0.001 each of the Company was subdivided into ten shares of HK\$0.0001 each ("Share Subdivision"). The new subdivided shares rank *pari passu* in all respects with the then existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

21. SHARE CAPITAL (continued)

Notes: (continued)

- (c) On 3rd January, 2005, a resolution was passed at the special general meeting of the Company pursuant to which 660,344,150 rights shares of HK\$0.0001 each were to be allotted in the proportion of five rights shares for every one subdivided share of HK\$0.0001 each of the Company at the price of HK\$0.68 per rights share ("Rights Issue"). The Rights Issue was completed on 21st January, 2005. The Company planned to use the proceeds for acquisition of 90% interests in a subsidiary as referred to in note 35(c) and the business development of that subsidiary as well as for general working capital of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.
- (d) On 6th January, 2005, the Company entered into a subscription agreement with a minority shareholder of a subsidiary pursuant to which the Company agreed to allot and issue 31,950,000 new subdivided shares of HK\$0.0001 each of the Company at the price of HK\$2.88 per share ("Subscription"). The Subscription was completed on 7th February, 2005. The Company planned to use the proceeds for general working capital and future business development of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.
- (e) On 15th February, 2005, the Company allotted and issued 104,409,000 new subdivided shares of HK\$0.0001 each of the Company at the price of HK\$1.27 per share to Pleasure Road Profits Limited ("Pleasure Road") ("Allotment of Shares") as the consideration for acquisition of the vessel by the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

22. SHARE OPTION SCHEME

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

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

No options have been granted since the adoption of the Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

23. RESERVES

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st April, 2003	564,363	666	514,191	(823,924)	255,296
Net profit for the year	–	–	–	93,255	93,255
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	564,363	666	514,191	(730,669)	348,551
Issue of shares	695,568	–	–	–	695,568
Expenses incurred in connection with issue of shares	(4,949)	–	–	–	(4,949)
Net profit for the year	–	–	–	19,117	19,117
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2005	<u>1,254,982</u>	<u>666</u>	<u>514,191</u>	<u>(711,552)</u>	<u>1,058,287</u>

- (a) The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries as at 7th July, 1992, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less any dividends subsequently paid out of pre-reorganisation profits and amounts utilised on redemption of shares.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company shall 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; or
- (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 accounts.

In the opinion of the directors of the Company, the Company had no distributable reserve as at 31st March, 2005 and 31st March, 2004.

- (b) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's share capital issued as consideration for the acquisition.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

24. MINORITY INTERESTS

The minority shareholders of the subsidiaries agreed to contribute the shareholders' loans in accordance with their shareholdings. The shareholders' loans can be used to make good the minority shareholders' share of the losses incurred by the subsidiaries to the extent of the amounts advanced to them.

25. AMOUNT DUE TO A SUBSIDIARY THE COMPANY

The amount was unsecured, interest-free and fully repaid during the year.

26. AMOUNT(S) DUE TO RELATED COMPANY(IES)

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Interest bearing at prevailing market rates (<i>note (a)</i>)	–	9,913	–	9,913
Interest-free (<i>note (b)</i>)	–	16,000	–	–
Interest-free (<i>note (c)</i>)	18,005	–	–	–
	18,005	25,913	–	9,913

Notes:

- (a) The amount was due to a subsidiary of Emperor International Holdings Limited, a substantial shareholder of the Company and fully repaid during the year.
- (b) The amount was due to a company in which a deemed substantial shareholder of the Company was interested and assigned to a minority shareholder of a subsidiary during the year.
- (c) The amount is due to a company in which a deemed substantial shareholder of the Company is interested.

The amounts are unsecured and have no fixed terms of repayment.

These related companies have agreed not to demand repayment of the amounts until the Group and the Company are financially capable to do so. No demand for repayment from these related companies is expected in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

27. AMOUNT(S) DUE TO MINORITY SHAREHOLDER(S) OF A SUBSIDIARY THE GROUP

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, it is unlikely that the minority shareholders will demand for repayment of the amounts until the subsidiary is financially capable to do so. No demand for repayment from the minority shareholders of the subsidiary is expected in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

The amounts advanced to the subsidiary by the minority shareholders are considered as part of their contributions, together with paid up capital, made to finance the operations of the subsidiary. The advances can be used to make good the minority shareholders' share of the losses incurred by the subsidiary to the extent of the amounts advanced to it. The amount advanced in 2004 to a 90% owned subsidiary of the Group by a minority shareholder was assigned to the Group on 9th June, 2004 as a result of the Group's acquisition of the remaining 10% interests in that subsidiary.

28. DEFERRED TAXATION

The following are the major deferred taxation liability recognised and movements thereon during the year:

	Development costs capitalised <i>HK\$'000</i>	Impairment loss recognised in respect of property under development <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
At 1st April, 2003	(5,533)	5,533	–
Charge to the income statement	–	(5,533)	(5,533)
At 31st March, 2004 and 2005	<u>(5,533)</u>	<u>–</u>	<u>(5,533)</u>

For the purpose of balance sheet presentation, deferred taxation asset and liability have been offset.

As at 31st March, 2005, the Group had unused tax losses of approximately HK\$121,973,000 (2004: HK\$112,133,000) available for offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

As at 31st March, 2005, the Company had unused tax losses of approximately HK\$116,140,000 (2004: HK\$112,133,000) available for offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

There were no other significant temporary differences arising in the Group and the Company during the year or at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

29. PURCHASE OF SUBSIDIARIES

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

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Deposits made for acquisition of a subsidiary	196,757	–
Other assets	12,562	–
Amount due from a related company	500	–
Bank balances and cash	153,382	–
Accrued charges and other payables	(2,754)	–
Amount due to the holding company	(180,046)	–
Amounts due to minority shareholders of a subsidiary	(180,000)	–
Minority interests	21	–
	<u>422</u>	–
Assignment of shareholder's loan	162,041	–
Goodwill charged to the income statement	78	–
	<u>162,541</u>	–
Total consideration	<u>162,541</u>	–
Satisfied by:		
Reclassification from investment in unlisted shares	162,041	–
Cash	500	–
	<u>162,541</u>	–
Analysis of net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration	(500)	–
Bank balances and cash acquired	153,382	–
	<u>152,882</u>	–

The subsidiaries acquired during the year did not have significant contribution to the Group's turnover and operating results for the year.

The net book value of the net assets acquired at the date of acquisition approximate to their fair value.

Pro forma Group's revenue and results:

There is no material impact in the Group's revenue and net profit for the year if the acquisition of the above companies had been completed on 1st April, 2004 as these companies are mainly inactive or in investment stage.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

30. MAJOR NON-CASH TRANSACTIONS

- (a) As settlement of part of the consideration for acquisition of the remaining 10% interests in Expert Pearl Investments Limited ("Expert Pearl"), an indirectly 90% owned subsidiary of the Company, from Star City Entertainment Holdings Limited ("Star City") through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City, the Group waived all liabilities of Star City in the principal sum of approximately HK\$17,658,000 and all interest thereon of approximately HK\$20,172,000, amounted in aggregate to approximately HK\$37,830,000 owed to the Group as at 9th June, 2004.
- (b) On 15th February, 2005, the Company allotted and issued 104,409,000 new shares of HK\$0.0001 each of the Company at the price of HK\$1.27 per share totalling approximately HK\$132,599,000 to Pleasure Road as the consideration for acquisition of the vessel by the Group.

31. COMMITMENTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Authorised but not contracted for in respect of:		
– property and hotel development projects	431,984	2,917
– property, plant and equipment	124,549	–
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property and hotel development projects	80,789	61,041
– property, plant and equipment	13,641	–
– acquisition of a subsidiary (<i>note 34(b)</i>)	451,500	–
	1,102,463	63,958

The Company had no significant commitments at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

32. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	407	–
In the second to fifth year inclusive	47	–
	<u>454</u>	<u>–</u>

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

THE GROUP AS LESSOR

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments in respect of the casino in the vessel and the properties, which fall due as follows:

	Casino in the vessel		Properties	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	90,000	–	493	–
In the second to fifth year inclusive	–	–	535	–
	<u>90,000</u>	<u>–</u>	<u>1,028</u>	<u>–</u>

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

The Company had no significant operating lease commitments either as lessee or lessor at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

33. CONTINGENT LIABILITY THE COMPANY

At the balance sheet date, the Company had given a guarantee of approximately HK\$3,075,000 (2004: nil) to a third party in respect of purchase of an equipment by a subsidiary of the Group.

34. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to 31st March, 2005:

- (a) On 20th April, 2005, the Group signed a credit facility letter of HK\$400,000,000 with a bank out of which HK\$100,000,000 bank loan was drawn down on 3rd May, 2005.
- (b) On 3rd May, 2005, the Group completed the acquisition of a subsidiary, in which the Group indirectly holds 45% interests, and settled the remaining balance of the consideration of HK\$451,500,000.

35. RELATED PARTY TRANSACTIONS

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

	2005 HK\$'000	2004 HK\$'000
Acquisition of subsidiaries from a related company (notes (i) and (ii))	500	–
Interest from a minority shareholder of a subsidiary (note (iii))	355	2,193
Interest to a related company (notes (i) and (iii))	509	679
Management fees to related companies (notes (i) and (iv))	342	240
Purchase of equipment from a related company (notes (i) and (v))	750	–
Purchase of inventories from a related company (notes (i) and (v))	1,523	–
Rental income from a related company (notes (i) and (v))	17,883	–
Secretarial fee to a related company (notes (i) and (v))	345	347
Underwriting commission to a related company (notes (i) and (v))	2,106	–
	<u>2,106</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

35. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) Certain directors and substantial shareholders of the Company have beneficial or deemed interests in the above related companies.
 - (ii) The consideration was based on the price of the ordinary shares.
 - (iii) The interest was calculated by reference to the principal outstanding and at the prevailing market interest rates.
 - (iv) The fees were charged on a cost basis.
 - (v) The transaction was carried out after negotiations between the Group and the related company and on basis of estimated market value/rate as determined by the directors of the Company.
- (b) On 9th June, 2004, the Group completed the acquisition of the remaining 10% interests in Expert Pearl, a 90% owned subsidiary of the Group, from Star City through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

35. RELATED PARTY TRANSACTIONS (continued)

- (d) On 15th February, 2005, the Group completed the acquisition of the vessel named Golden Princess (together with all furniture and fittings on board, slot machines and other gambling equipment in the casino area) from Pleasure Road, a related company of the Group. The consideration of the vessel was US\$17 million (equivalent to approximately HK\$132,599,000) which was satisfied by the allotment and issue of 104,409,000 new shares of HK\$0.0001 each of the Company to Pleasure Road at the price of HK\$1.27 per share.

36. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2005, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Group's attributable equity interest %	Principal activities
Indirectly held					
Asian Glory Limited	Macau	Macau	MOP25,000	100	Property investment
Emperor (Shanghai) Co., Ltd. 英皇(上海)有限公司	PRC – foreign investment enterprise	PRC	US\$30,000,000	100	Property development
Great Assets Holdings Limited	British Virgin Islands	Hong Kong	US\$50	90	Investment holding
Harbour Assets Limited	British Virgin Islands	PRC and International waters	US\$1	100	Property investment and vessel owner
Luck United Holdings Limited ("Luck United")	British Virgin Islands	Macau	US\$7,000	45*	Investment holding
Right Achieve Limited	British Virgin Islands	Macau	US\$1	100	Investment holding and nominee services
Season Success Investment Limited	Hong Kong	Hong Kong	HK\$1	100	Vessel operator

- * Luck United is regarded as a subsidiary of the Group as the Group have control on the board of directors of Luck United.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005**36. PARTICULARS OF SUBSIDIARIES (continued)**

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

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2005.

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