Notes to the Financial Statements

for the year ended 31 December 2006

1. GENERAL INFORMATION

Century Legend (Holdings) Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and its principal place of business is Room 3403-04, 34th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") comprise the following:

– travel agency and investment in gaming related business
– provision of health and beauty services
– provision of stock broking services
– trading of variety of goods
– money lending

The financial statements on pages 30 to 87 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2006 were approved and authorised for issue by the board of directors on 21 April 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 January 2006, the Group has adopted all the new or amended HKFRSs which are first effective for accounting period beginning on or after 1 January 2006 and are relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts.

Other than that, the adoption of these new or amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures.

2.1 Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in Note 3.20.

This change in accounting policy has had no material impact on the amounts reported in the current and prior accounting periods.

2. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

2.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company (the "Directors") is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures [1]
HKFRS 7	"Financial Instruments: Disclosures" [1]
HKFRS 8	"Operating Segments" [8]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" [2]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" [3]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" [4]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" [5]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" [6]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements" [7]

[1] *Effective for annual periods beginning on or after 1 January 2007*
[2] *Effective for annual periods beginning on or after 1 March 2006*
[3] *Effective for annual periods beginning on or after 1 May 2006*
[4] *Effective for annual periods beginning on or after 1 June 2006*
[5] *Effective for annual periods beginning on or after 1 November 2006*
[6] *Effective for annual periods beginning on or after 1 March 2007*
[7] *Effective for annual periods beginning on or after 1 January 2008*
[8] *Effective for annual periods beginning on or after 1 January 2009*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements also include the Group's share of post-acquisition results and reserves of its associates.

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

The gain or loss on disposal of a subsidiary represents the difference between the proceeds from the sale and the Group's share of its net assets together with any goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Associates (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see *Note 3.10*) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer and collectibility of the related receivables is reasonably assured.

(b) Revenue from rendering of services is recognised when the relevant services are rendered. Amounts received from customers in respect of services which are not yet performed are not recognised as revenue but are recorded as deferred income in the balance sheet.

(c) Interest income is recognised on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable.

(d) Commission income is recognised when the agreed services are provided.

(e) Operating lease rental income is recognised on a straight-line basis over the lease period.

(f) Dividend income is recognised when the right to receive payment is established.

(g) Investment return from unincorporated syndicates is recognised when the Group's right as a partner to receive payment is established.

3.7 Borrowing costs

All borrowing costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in Note 3.4.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see *Note 3.10*).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

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

3.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	25 – 33 1/3%
Furniture, fixtures and office equipment	20 – 33 1/3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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 costs, such as repairs and maintenance are charged to the income statement during the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of assets

Goodwill arising on an acquisition of a subsidiary, property, plant and equipment, interests in subsidiaries and associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, 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.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets other than hedging instruments are classified into the following categories:

– financial assets at fair value through profit or loss
– loans and receivables
– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

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

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement. Interest calculated using the effective interest rate method is recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement in the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement in the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

Impairment of financial assets (continued)

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of 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. Reversal of impairment losses in such circumstances are recognised in the income statement.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.13 Inventories

Inventories comprise finished goods and consumable stocks and are stated at the lower of cost and net realisable value after making due allowance for obsolescence on slow moving items. Cost, calculated on the first-in, first-out basis, comprises invoiced value of goods and appropriate transportation cost. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand as well as short-term bank deposits with original maturities of three months or less which are subject to insignificant risk of changes in value.

Notes to the Financial Statements

for the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of the shares over the par value. Any transaction costs associated with the issuance of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.17 Retirement benefit costs and short-term employee benefits

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 those employees who are eligible to participate in the MPF Scheme. 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 Group in separate trustee-administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Short-term employee benefits

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.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accruals, amount due to investee companies. They are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest rate method.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

3.19 Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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 expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

3.21 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, loans receivable, inventories, trade and other receivables and operating cash, and mainly exclude available-for-sale financial assets, financial assets at fair value through profit or loss and non-operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Related parties

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

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

– controls, is controlled by, or is under common control with, the Group;

– has an interest in the Group that gives it significant influence over the Group; or

– has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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:

Estimated impairment of goodwill

The Group tested annually whether goodwill had suffered any impairment in accordance with the accounting policy stated in Note 3.10. The recoverable amounts of cash generating unit were determined based on value-in-use calculations. These calculations required the use of estimates.

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5(a). REVENUE AND TURNOVER

	2006 HK$'000	2005 HK$'000
Sale of traveling and entertainment packages	**512,801**	25,755
Health and beauty services	**20,393**	25,877
Interest income from money lending business	**913**	1,433
Brokerage and commission income	**1,183**	1,018
Sale of goods	**129**	869
	535,419	54,952

5(b). OTHER INCOME

	2006 HK$'000	2005 HK$'000
Bank interest income	**548**	317
Dividend income from listed investments	**1**	–
Dividend income from investee companies	**1,500**	–
Investment return from unincorporated syndicates	**950**	2,679
Management fee income	**1,660**	1,053
Operating lease rental income	**617**	640
Sundry income	**849**	575
	6,125	5,264

6. SEGMENT INFORMATION

Primary report format – business segments

The Group is organised into five main business segments:

Travel and gaming related business	–	Provision of travel agency services in Hong Kong and public relation services for gaming activities in Macau
Health and beauty services	–	Provision of health and beauty services in Hong Kong
Money lending	–	Provision of commercial and personal loans in Hong Kong
Stock broking	–	Provision of stock broking services in Hong Kong
Trading	–	Trading of general merchandise in Hong Kong

There are no significant sales or other transactions between the business segments.

6. SEGMENT INFORMATION (continued)

Primary report format – business segments (continued)

	Travel and gaming related business HK$'000	Health and beauty services HK$'000	Money lending HK$'000	Stock broking HK$'000	Trading HK$'000	Group HK$'000
2006						
Segment revenue						
– Revenue and turnover	512,801	20,393	913	1,183	129	535,419
– Other income	4,266	152	14	716	7	5,155
Unallocated revenue/income						970
						541,544
Segment results	4,192	(2,958)	476	281	(29)	1,962
Unallocated revenue/income						971
Unallocated costs						(10,246)
Finance costs						–
Share of profits of an associate	14,224	–	–	–	–	14,224
Gain on disposal of a subsidiary						2,284
Loss on dissolution of available-for-sale financial assets						(5,045)
Impairment loss on available-for-sale financial assets						(5,000)
Loss before income tax						(850)
Income tax expense						–
Loss for the year attributable to equity holders of the Company						(850)
Segment assets	114,104	3,936	11,023	12,636	296	141,995
Unallocated assets						36,340
Total assets						178,335
Segment liabilities	(711)	(2,064)	(156)	(4,671)	(39)	(7,641)
Unallocated liabilities						(2,385)
Total liabilities						(10,026)
Segment capital expenditure	45	3	–	48	–	96
Unallocated capital expenditure						1,606
Total capital expenditure						1,702
Segment depreciation	18	1,565	–	14	–	1,597
Unallocated depreciation						302
Total depreciation						1,899

6. SEGMENT INFORMATION (continued)

Primary report format – business segments (continued)

	Travel and gaming related business HK$'000	Health and beauty services HK$'000	Money lending HK$'000	Stock broking HK$'000	Trading HK$'000	Group HK$'000
2005						
Segment revenue						
– Revenue and turnover	25,755	25,877	1,433	1,018	869	54,952
– Other revenue	3,844	108	22	380	2	4,356
Unallocated revenue/income						908
						60,216
Segment results	(1,262)	(3,706)	1,353	(642)	139	(4,118)
Unallocated revenue/income						956
Unallocated costs						(8,285)
Finance costs						(48)
Share of profits of associates	417	–	–	–	–	417
Loss on disposal of an associate						(1,238)
Loss before income tax						(12,316)
Income tax expense						–
Loss for the year and attributable to equity holders of the Company						(12,316)
Segment assets	108,233	8,078	11,750	8,766	960	137,787
Unallocated assets						16,879
Total assets						154,666
Segment liabilities	(823)	(6,470)	(156)	(777)	(169)	(8,395)
Unallocated liabilities						(1,756)
Total liabilities						(10,151)
Segment capital expenditure	5	827	–	5	–	837
Unallocated capital expenditure						153
Total capital expenditure						990
Segment depreciation	17	1,753	–	72	–	1,842
Unallocated depreciation						257
Total depreciation						2,099
Impairment of goodwill	–	–	–	600	–	600

Notes to the Financial Statements

for the year ended 31 December 2006

6. SEGMENT INFORMATION (continued)

Secondary report format – geographical segments

Over 90% of the Group's revenue and contribution to operating loss for the years ended 31 December 2006 and 2005 are attributable to markets in Hong Kong. Accordingly geographical segment information in relation to the Group's revenue and contribution to operating loss has not been presented.

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located.

	Segment assets		**Capital expenditure**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**71,996**	53,924	**1,702**	990
Macau	**102,339**	92,333	**–**	–
Other areas	**4,000**	8,409	**–**	–
	178,335	154,666	**1,702**	990

7. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on convertible notes wholly repayable within five years	**–**	48

8. LOSS BEFORE INCOME TAX

	2006 HK$'000	2005 HK$'000
Loss before income tax is arrived at after crediting:		
Fair value gain on financial assets at fair value through profit or loss*	**47**	–
Impairment loss on loans receivable written back*	**–**	361
Other payables written back*	**96**	31
and after charging:		
Bad debts expenses*	**120**	–
Employee benefit expenses *(Note 12)*	**13,296**	16,251
Impairment of goodwill*	**–**	600
Depreciation of property, plant and equipment	**1,899**	2,099
Fair value loss on financial assets at fair value through profit or loss*	**–**	38
Loss on disposal of property, plant and equipment*	**27**	15
Other receivables written off*	**500**	–
Operating lease charges in respect of:		
– Land and buildings	**6,415**	6,459
– Motor vehicles	**222**	235
	6,637	6,694
Auditors' remuneration	**648**	638

* *included in other expenses*

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profit for the year (2005: Nil).

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	2006	2005
	HK$'000	HK$'000
Loss before income tax	**850**	12,316
Tax at applicable rate of 17.5%	**149**	2,155
Tax effect of non-deductible expenses	**(2,130)**	(1,101)
Tax effect of non-taxable revenue	**3,834**	997
Tax effect of prior year's unrecognised tax losses utilised this year	**224**	125
Tax losses not recognised as deferred tax assets	**(1,890)**	(2,000)
Other temporary differences not recognised	**(187)**	(176)
Income tax expense	**–**	–

At 31 December 2006, the Group had deferred tax assets arising from tax losses of HK$32,074,000 (2005: HK$32,040,000). The deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

At the balance sheet dates, the Group and the Company did not have any significant deferred tax liabilities.

10. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year of HK$850,000 (2005: HK$12,316,000) attributable to the equity holders of the Company, a loss of HK$6,701,000 (2005: HK$11,120,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company of HK$850,000 (2005: HK$12,316,000) and on the weighted average number of 153,356,000 (2005: 145,527,000 as restated) ordinary shares in issue during the year, as adjusted to reflect the rights issue and consolidation of shares during the year and as if the event had occurred at the beginning of the earlier period reported.

Diluted loss per share for the year ended 31 December 2006 was not presented as there is no dilutive potential share.

Diluted loss per share for the year ended 31 December 2005 was not presented because the impact of the exercise of convertible notes was anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	HK$'000
Directors' emoluments *(Note 14(a))*	**1,152**	991
Other staff		
Wages and salaries	**10,410**	12,601
Commission	**1,091**	1,692
Retirement benefit costs	**432**	646
Other staff benefits	**211**	321
	13,296	16,251

13. RETIREMENT BENEFITS

The Group's mandatory provident fund ("MPF Scheme") contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month ("MPF Contribution"). Contribution for certain employees includes the aforesaid MPF Contribution of HK$1,000 per employee plus a corresponding amount of voluntary contribution made by the respective employee ("Voluntary Contribution") up to a maximum of HK$4,000 per employee. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The Group's Voluntary Contributions may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK$10,110 (2005: HK$1,200) were utilised during the year and there was no forfeited contribution available to reduce future contributions at the balance sheet date (2005: Nil).

Notes to the Financial Statements

for the year ended 31 December 2006

13. RETIREMENT BENEFITS (continued)

The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Total contributions paid by the Group into the MPF Scheme and charged to the consolidated income statement during the year, including contributions to the Directors, amounted to HK$463,000 (2005: HK$675,000).

Contributions totaling HK$37,000 (2005: HK$47,000) were payable to the MPF Scheme at the balance sheet date and were included in other payables and accruals.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the Directors are as follows:

	Fees	Salaries, allowance and bonuses	Retirement benefit costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2006				
Executive Directors				
Mr. Tsang Chiu Mo Samuel	202	–	–	202
Ms. Chu Ming Tak Evans Tania	–	647	31	678
Mr. Tsang Chiu Ching	176	–	–	176
Mr. Wu Binquan *(Note a)*	–	80	–	80
Independent Non-Executive Directors				
Mr. Yu Yun Kong *(Note b)*	–	–	–	–
Mr. Hui Yan Kit	6	–	–	6
Mr. Hung Sui Kwan *(Note c)*	–	–	–	–
Mr. Wong Tak Ming Gary *(Note d)*	6	–	–	6
Mr. Tang Man Ching *(Note e)*	4	–	–	4
	394	727	31	1,152

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Fees HK$'000	Salaries, allowance and bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Year ended 31 December 2005				
Executive Directors				
Mr. Tsang Chiu Mo Samuel	202	–	–	202
Ms. Chu Ming Tak Evans Tania	–	584	29	613
Mr. Tsang Chiu Ching	176	–	–	176
Independent Non-Executive Directors				
Mr. Yu Yun Kong	–	–	–	–
Mr. Cheung Ka Wai	–	–	–	–
Mr. Hui Yan Kit	–	–	–	–
Mr. Hung Sui Kwan	–	–	–	–
	378	584	29	991

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 31 December 2006 and 2005.

During the years ended 31 December 2006 and 2005, no emoluments were paid by the Group to the Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes:

(a) Mr. Wu Binquan was appointed on 1 February 2006.

(b) Mr. Yu Yun Kong resigned on 17 October 2006.

(c) Mr. Hung Sui Kwan resigned on 1 September 2006.

(d) Mr. Wong Tak Ming Gary was appointed on 1 September 2006.

(e) Mr. Tang Man Ching was appointed on 17 October 2006.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2005: one) Director whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining four (2005: four) highest paid individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,229**	1,872
Retirement benefit costs	**101**	83
	2,330	1,955

The emolument of each of the remaining four (2005: four) highest paid individuals fell within the emolument band of NIL to HK$1,000,000.

15. GOODWILL

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January		
Gross carrying amount	**600**	600
Accumulated impairment losses	**(600)**	–
Net carrying amount at 1 January	**–**	600
Net carrying amount at 1 January	**–**	600
Impairment loss	**–**	(600)
Net carrying amount at 31 December	**–**	–
At 31 December		
Gross carrying amount	**600**	600
Accumulated impairment losses	**(600)**	(600)
Net carrying amount	**–**	–

Notes to the Financial Statements

for the year ended 31 December 2006

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
At 1 January 2005			
Cost	8,144	5,472	13,616
Accumulated depreciation	(5,374)	(3,706)	(9,080)
Net book amount	2,770	1,766	4,536
Year ended 31 December 2005			
Opening net book amount	2,770	1,766	4,536
Additions	453	537	990
Disposals	(12)	(3)	(15)
Depreciation	(1,256)	(843)	(2,099)
Closing net book amount	1,955	1,457	3,412
At 31 December 2005			
Cost	8,460	5,971	14,431
Accumulated depreciation	(6,505)	(4,514)	(11,019)
Net book amount	1,955	1,457	3,412
Year ended 31 December 2006			
Opening net book amount	1,955	1,457	3,412
Additions	1,362	340	1,702
Disposals	–	(27)	(27)
Depreciation	(1,356)	(543)	(1,899)
Disposals of a subsidiary	(81)	(446)	(527)
Closing net book amount	**1,880**	**781**	**2,661**
At 31 December 2006			
Cost	4,994	3,751	8,745
Accumulated depreciation	(3,114)	(2,970)	(6,084)
Net book amount	**1,880**	**781**	**2,661**

Notes to the Financial Statements

for the year ended 31 December 2006

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**86,218**	86,218
Less: Provision for impairment	**(33,000)**	(33,000)
	53,218	53,218

Particulars of the subsidiaries of the Company at 31 December 2006 are as follows:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held by the Company
Held directly:				
Century Legend Investments Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	63,000 Ordinary shares of US$0.01 each	100%
Century Legend Management Limited	Hong Kong, limited liability company	Provision of properties management services in Hong Kong	1,000,000 Ordinary shares of HK$1 each	100%
Hong Kong Macau Travel and Entertainment Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	100%
Century Legend Nominees Limited	British Virgin Islands, limited liability company	Holding nominees shares for the Group in Hong Kong	1 Ordinary share of US$1	100%
Century Legend Finance Limited	Hong Kong, limited liability company	Provision of commercial and personal loans in Hong Kong	10,000,000 Ordinary shares of HK$1 each	100%

Notes to the Financial Statements

for the year ended 31 December 2006

17. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held by the Company
Held indirectly:				
Century Legend Securities Limited *(Note (a))*	Hong Kong, limited liability company	Stock broking in Hong Kong	10,000,000 Ordinary shares of HK$1 each	100%
Century Legend Strategic Investments Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000,000 Ordinary shares of HK$1 each; 5,000,000 Non-voting deferred shares *(Note (b))* of HK$1 each	100%
Hong Kong Macau Trading Limited *(Note (a))*	Hong Kong, limited liability company	Trading of general merchandises in Hong Kong	100 Ordinary shares of HK$1 each	100%
Hong Kong Macau Travel Limited	Hong Kong, limited liability company	Provision of travel agency services in Hong Kong	500,000 Ordinary shares of HK$1 each	100%
Hong Kong Macau Junket Investments Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	100%
Century Amusement Production Limited *(Note (a))*	Hong Kong, limited liability company	Inactive	10,000 Ordinary shares of HK$1 each	100%
SVC Investments Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 Ordinary shares of US$1 each	100%
Headquarters Limited	Hong Kong, limited liability company	Operation of a hair salon under the brand name of "Headquarters" in Hong Kong	150,000 Ordinary shares of HK$1 each	55%

Notes to the Financial Statements

for the year ended 31 December 2006

17. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held by the Company
Held indirectly:				
Grand Mutual Investment Limited	Hong Kong, limited liability company	In the process of deregistration	500,000 Ordinary shares of HK$1 each	100%
Hong Kong Macau Travel Services Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	2 Ordinary shares of US$1 each	100%
HKM Gaming Management Limited	Macau, limited liability company	Gaming management in Macau	MOP100,000	100%
HKM Hotels Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	100%

Notes:

(a) Not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms.

(b) The non-voting deferred shares practically carry no rights to dividends or to participate in any distribution in winding up. They carry no rights to receive notice of or to attend or vote at any general meeting.

18. INTEREST IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**68,246**	54,022
Goodwill on acquisition	**1,488**	1,488
At 31 December	**69,734**	55,510

Notes to the Financial Statements

for the year ended 31 December 2006

18. INTEREST IN ASSOCIATES (continued)

The movement of goodwill arising from acquisitions of associates is set out below:

	2006	2005
	HK$'000	HK$'000
Net book amount at 1 January	**1,488**	9,253
Disposal *(Note 32)*	**–**	(9,253)
Arising from acquisition of an associate	**–**	1,488
Net book amount at 31 December	**1,488**	1,488

Balance with an associate:

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December				
– Amount due from an associate	**5**	–	**5**	–

The amount due from an associate is unsecured, interest-free and repayable on demand.

Particulars of the principal associate at 31 December 2006 are as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held by the Group
Investgiant Limited *(Notes (a) and (b))*	British Virgin Islands	Investment holding in Hong Kong	2 Ordinary shares of US$1 each	50%

The above table lists the associate of the Group, which in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Notes:

(a) The group headed by Investgiant Limited is principally engaged in the ownership and operation of a hotel in Macau.

18. INTEREST IN ASSOCIATES (continued)

Notes: (continued)

(b) The following table illustrates the summarised financial information of the Group's principal associate extracted from its unaudited management accounts:

	2006 HK$'000	2005 HK$'000
Assets	**132,533**	82,042
Liabilities	**115,289**	93,246
Revenue	**–**	–
Profit/(Loss) for the year	**28,448**	(11,204)

19. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Amounts due from subsidiaries	**253,795**	247,881
Less: Provision for impairment	**(100,907)**	(95,907)
	152,888	151,974

The amounts due are unsecured, interest-free and repayable on demand.

The Directors consider that the carrying amount of the amounts due from subsidiaries approximates its fair value as at 31 December 2006.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at fair value *(Note (a))*	**26**	27
Interest in unincorporated syndicates, at cost *(Notes (b) and (g))*	**–**	35,045
Unlisted equity investments, at cost:		
– Diamond (Subic) Entertainment Limited ("DSE") *(Notes (c) and (g))*	**–**	–
– Diamond (Lisboa) Gaming Promotion Limited ("DLP") *(Notes (d) and (g))*	**15**	15
– Diamond (Holiday Inn) Gaming Promotion Limited ("DHP") *(Notes (e) and (g))*	**15**	15
– Advances to investee companies *(Notes (f) and (g))*	**33,970**	8,409
	34,026	43,511
Less: Provision for impairment	**(5,000)**	–
	29,026	43,511

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes:

(a) The fair value of the listed equity investments are based on quoted market bid prices available on the Stock Exchange. During the year, the fair value loss recognised directly in equity amounted to HK$1,000 (2005: HK$12,000).

(b) As at 31 December 2005, the Group's interest in unincorporated syndicates represents 15% interest in each of the two unincorporated syndicates engaging in gaming intermediary operations at certain casino facilities in Macau. The casino facilities were owned and operated by an independent third party (the "casino operator") who, in accordance with the then market practice, had a verbal agreement with the two syndicates that:

(i) the two syndicates market and organise trips for the purpose of introducing customers to participate in the gaming activities at the casino facilities and provide other related services as appropriate;

(ii) the casino operator was responsible for providing the casino facilities and gaming activities and all associated costs; and

(iii) the two syndicates were entitled to the operating profit or loss generated from the gaming activities at those casino facilities at an agreed rate.

On 24 March 2006, DLP and DHP, two investee companies of the Group, entered into written agreements with the casino operator to take up the gaming intermediary operations with immediate effect and accordingly, the two unincorporated syndicates were dissolved and liquidated. The Group had incurred a loss of HK$5,045,000 arising from the dissolution of the two unincorporated syndicates after taking into account the residual proceeds of HK$30,000,000 received from the two unincorporated syndicates, in which, an amount of HK$29,970,000 was then applied by the Group as an advance to the two investee companies where the repayment terms were detailed in Note 20(f) below.

(c) The cost of investment of US$1 (2005: US$1) (equivalent to approximately HK$7.8) represents the Group's 11% equity interest in DSE, a private company incorporated in the British Virgin Islands.

(d) The cost of investment of MOP15,000 (2005: MOP15,000) (equivalent to approximately HK$14,500) represents the Group's 15% equity interest in DLP, a private company incorporated in Macau.

(e) The cost of investment of MOP15,000 (2005: MOP15,000) (equivalent to approximately HK$14,500) represents the Group's 15% equity interest in DHP, a private company incorporated in Macau.

(f) The advances included (i) an advance of HK$4,000,000 (2005: HK$8,409,000) made to DSE pursuant to an agreement signed by the Group and DSE, such advance is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the Group will not demand for repayment of such advance in the next twelve months from the balance sheet date; and (ii) advances of HK$14,985,000 (2005: Nil) and HK$14,985,000 (2005: Nil) made by the Group to DLP and DHP respectively. The advances are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the settlement of these advances is neither planned nor likely to occur in the foreseeable future and in substance, these advances are extensions of the Group's investment in these two investee companies.

(g) The Group's unlisted equity investments and interest in unincorporated syndicates are carried at cost less accumulated impairment losses (if any), as they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

Notes to the Financial Statements

for the year ended 31 December 2006

21. LOANS RECEIVABLE

	Group	
	2006	2005
	HK$'000	HK$'000
In respect of personal and commercial loans		
– secured	**728**	937
– unsecured	**11,625**	11,775
Gross loans receivable *(Note (a))*	**12,353**	12,712
Less: Provision for impairment	**(1,700)**	(1,700)
Net carrying amount *(Note (b))*	**10,653**	11,012
Less: amounts due within one year	**(10,288)**	(10,509)
Amounts due after one year	**365**	503

Notes:

(a) The loans receivable bear interest at fixed annual rate ranging from 8% to 47.1807% (2005: 8% to 47.1807%). The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
On demand	**11,850**	1,725
Three months or less	**43**	152
Over three months but less than one year	**95**	10,332
One to four years	**365**	503
	12,353	12,712

(b) The Directors consider that the carrying amount of loans receivable approximates its fair value as at 31 December 2006.

22. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Finished goods, at cost	**2,660**	2,908
Consumable stocks, at cost	**202**	256
	2,862	3,164

The cost of inventories recognised as expense and included in cost of sales amounted to HK$518,494,000 (2005: HK$36,380,000).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments in Hong Kong held for trading, at fair value	**129**	82

The fair value of listed equity investments are based on quoted market bid prices available on the Stock Exchange.

Notes to the Financial Statements

for the year ended 31 December 2006

24. TRADE AND OTHER RECEIVABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Trade receivables *(Note)*	**9,465**	5,729
Other receivables and deposits	**3,088**	4,319
	12,553	10,048

Note:

The majority of the Group's revenue and turnover is on cash basis. The remaining balance of the revenue and turnover is generally on credit terms ranging from 30 to 60 days. At the balance sheet date, the ageing analysis of the trade receivables was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0-30 days	**8,950**	5,085
31-60 days	**60**	58
61-90 days	**119**	39
Over 91 days	**336**	547
Total trade receivables	**9,465**	5,729

The fair value of the Group's trade and other receivables approximates its carrying amount as at 31 December 2006.

Notes to the Financial Statements

for the year ended 31 December 2006

25. AMOUNTS DUE FROM/(TO) INVESTEE COMPANIES/A RELATED COMPANY

The amounts due are unsecured, interest-free and repayable on demand. The Directors consider that the carrying amounts of the amounts due from/(to) investee companies and amount due from a related company approximate their fair values as at 31 December 2006.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	Group	
	2006	2005
	HK$'000	HK$'000
Cash at banks and in hand	**14,587**	15,130
Short-term bank deposits	**31,574**	12,797
	46,161	27,927

	Company	
	2006	2005
	HK$'000	HK$'000
Cash at banks and in hand	**841**	1,935
Short-term bank deposits	**31,574**	12,797
	32,415	14,732

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term bank deposits are placed with the banks and earn interest at the respective short-term bank deposit rates ranging from 2.75% to 4.06% (2005: 0.05% to 3.395%). The short-term bank deposits as at 31 December 2006 have a maturity of less than one week. The carrying amount of the cash and cash equivalents approximates its fair value as at 31 December 2006.

Notes to the Financial Statements

for the year ended 31 December 2006

27. TRADE PAYABLES

At the balance sheet date, the ageing analysis of the trade payables was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0-30 days	**4,652**	1,032
31-60 days	**136**	123
61-90 days	**7**	15
Over 91 days	**–**	6
	4,795	1,176

The fair value of the Group's trade payables approximates its carrying amount as at 31 December 2006.

28. SHARE CAPITAL

		Number of shares of HK$0.01 each		Number of shares of HK$0.2 each		Share capital	
		2006	2005	**2006**	2005	**2006**	2005
	Notes	**'000**	'000	**'000**	'000	**HK$'000**	HK$'000
Authorised:							
Ordinary shares at 1 January		**40,000,000**	40,000,000	**–**	–	**400,000**	400,000
Share consolidation	*(a)*	**(40,000,000)**	–	**2,000,000**	–	**–**	–
Ordinary shares at 31 December		**–**	40,000,000	**2,000,000**	–	**400,000**	400,000
Issued and fully paid:							
Ordinary shares at 1 January		**2,645,952**	2,064,960	**–**	–	**26,460**	20,650
Share consolidation	*(a)*	**(2,645,952)**	–	**132,298**	–	**–**	–
Share issued on conversion of convertible notes	*(c)*	**–**	140,000	**–**	–	**–**	1,400
Rights shares issued at premium	*(a)(b)*	**–**	440,992	**66,149**	–	**13,230**	4,410
Ordinary shares at 31 December		**–**	2,645,952	**198,447**	–	**39,690**	26,460

Notes:

(a) Pursuant to a special resolution passed on 21 September 2006, every 20 issued ordinary shares of HK$0.01 each was consolidated into one issued ordinary share of HK$0.2 each (the ''Issued Share Consolidation"). Following the Issued Share Consolidation, it was approved that a rights issue on the basis of one rights share for every two existing shares held by the shareholders on the register of members on 8 November 2006, was issued at an issue price of HK$0.4 per rights share (the "Rights Issue"), resulting in the issuance of 66,148,799 ordinary shares of HK$0.2 each for a total cash consideration, before share issuance expenses, of approximately HK$26,460,000. The new shares rank pari passu with the existing shares in all respects. The Rights Issue became unconditional on 28 November 2006. Further details of the Rights Issue are also set out in the prospectus of the Company dated 9 November 2006 and the announcement of the Company made on 28 November 2006.

(b) A special resolution was passed on 12 August 2005 to approve a rights issue on the basis of one rights share for every five existing shares held by the shareholders on the register of members on 7 November 2005, at an issue price of HK$0.11 per rights share, resulting in the issuance of 440,991,998 ordinary shares of HK$0.01 each for a total cash consideration, before share issuance expenses, of approximately HK$48,500,000.

(c) On 24 January 2005, 139,999,994 ordinary shares were issued by the Company pursuant to the conversion by the independent holders of all of the then outstanding convertible notes issued by a wholly-owned subsidiary of the Company at a conversion price of HK$0.3 per share.

Notes to the Financial Statements

for the year ended 31 December 2006

29. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000 *(Note (a))*	Available-for-sale financial assets revaluation reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005, as previously reported	40,098	146,189	–	3,015	(139,499)	49,803
Opening adjustment on adoption of HKAS 39	–	–	–	–	37	37
At 1 January 2005, as restated	40,098	146,189	–	3,015	(139,462)	49,840
Conversion of convertible notes *(Note 28 (c))*	41,463	–	–	(3,015)	–	38,448
Rights issue *(Note 28 (b))*	44,099	–	–	–	–	44,099
Share issue expenses	(2,004)	–	–	–	–	(2,004)
Fair value loss on available-for-sale financial assets	–	–	(12)	–	–	(12)
Loss for the year	–	–	–	–	(12,316)	(12,316)
At 31 December 2005 and 1 January 2006	123,656	146,189	(12)	–	(151,778)	118,055
Rights issue *(Note 28 (a))*	13,230	–	–	–	–	13,230
Share issue expenses	(1,815)	–	–	–	–	(1,815)
Fair value loss on available-for-sale financial assets	–	–	(1)	–	–	(1)
Loss for the year	–	–	–	–	(850)	(850)
At 31 December 2006	**135,071**	**146,189**	**(13)**	**–**	**(152,628)**	**128,619**

29. RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000 *(Note (b))*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	40,098	213,978	(133,758)	120,318
Conversion of convertible notes *(Note 28(c))*	41,463	–	–	41,463
Rights issue *(Note 28(b))*	44,099	–	–	44,099
Share issue expenses	(2,004)	–	–	(2,004)
Loss for the year	–	–	(11,120)	(11,120)
At 31 December 2005 and 1 January 2006	123,656	213,978	(144,878)	192,756
Rights issue *(Note 28 (a))*	13,230	–	–	13,230
Share issue expenses	(1,815)	–	–	(1,815)
Loss for the year	–	–	(6,701)	(6,701)
At 31 December 2006	**135,071**	**213,978**	**(151,579)**	**197,470**

Notes:

(a) Capital reserve of the Group represents:

(i) the difference between the nominal value of share capital issued by the Company and the nominal value of the share capital and the share premium accounts of those companies forming the Group pursuant to the group reorganisation in 1993; and

(ii) the reduction in issued share capital arising from the cancelling of paid up capital to the extent of HK$0.09 on each share of HK$0.1 in issue in 2001.

(b) Contributed surplus of the Company represents:

(i) the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company at the time of the group reorganisation referred to above; and

(ii) the reduction in issued share capital arising from the cancelling of paid up capital to the extent of HK$0.09 on each share of HK$0.1 in issue in 2001.

Notes to the Financial Statements

for the year ended 31 December 2006

30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group			
	Land and buildings		Motor vehicles	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,575**	6,047	**103**	111
In the second to fifth years inclusive	**2,748**	1,670	**–**	–
	6,323	7,717	**103**	111

The Group leases certain of its office properties and motor vehicles under operating leases. The leases run for an initial period of one to three years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords/lessors. None of the leases include contingent rentals.

At the balance sheet dates, the total future minimum sublease payments expected to be received under non-cancellable sublease amounted to HK$564,000 (2005: HK$583,000).

The Company did not have any significant operating lease commitment at the balance sheet date.

31. RELATED PARTY TRANSACTIONS

As at 31 December 2006, Barsmark Investments Limited (''Barsmark"), a limited liability company incorporated and domiciled in the British Virgin Islands, held 43.3% (2005: 43.3%) equity interests in the Company directly. Barsmark is a wholly-owned subsidiary of ST Investments Holding Limited ("ST Investments") (formerly known as China Sky Investment Limited), a limited liability company incorporated and domiciled in the British Virgin Islands.

ST Investments is ultimately and beneficially owned as to one third by each of Mr. Tsang Chiu Mo Samuel, Mr. Tsang Chiu Ching, Executive Directors of the Company, and Ms. Tsang Chiu Yuen, Sylvia, sister of Mr. Tsang Chiu Mo Samuel and Mr. Tsang Chiu Ching.

31. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year:

(a) Purchase of goods

	2006 HK$'000	2005 HK$'000
Purchase of entertainment packages from Longnex Limited ("Longnex")	**508,600**	6,900

The Group has 25% indirect equity interest in Longnex and Mr. Tsang Chiu Mo, Samuel and Mr. Wu Binquan, directors of the Company, are also directors of Longnex.

Purchases from Longnex were made in the normal course of business and the prices and terms were mutually agreed by the Group and Longnex.

(b) Provision of management services

	2006 HK$'000	2005 HK$'000
Management fee income from Longnex	**1,660**	–

Management fee charged to Longnex was mutually agreed between the Group and Longnex.

(c) Compensation of key management personnel

The remuneration of Directors and other key management during the year was as follows:

	2006 HK$'000	2005 HK$'000
Short-term employee benefits	**2,981**	2,745
Post-employment benefits	**120**	113
	3,101	2,858

Notes to the Financial Statements

for the year ended 31 December 2006

31. RELATED PARTY TRANSACTIONS (continued)

(d) Underwriting Commission

	2006	2005
	HK$'000	HK$'000
Underwriting commission paid to Barsmark	**373**	763

For the year ended 31 December 2006

Pursuant to the underwriting agreement dated 21 September 2006 (the "Underwriting Agreement") entered into between the Company and Barsmark (the "Underwriter"), the Company agreed to pay the Underwriter a commission of 2.5% of the aggregate subscription price in respect of the all underwritten shares related to a rights issue of 66,148,799 rights shares at HK$0.4 per rights share as detailed in note 28 (a).

For the year ended 31 December 2005

Pursuant to the underwriting agreement dated 12 August 2005 entered into between the Company and the Underwriter, the Company agreed to pay the Underwriter a commission of 2.5% of the aggregate subscription price in respect of all the underwritten shares related to a rights issue of 440,991,998 rights shares at HK$0.11 per rights share as detailed in note 28 (b).

32. DISPOSAL OF AN ASSOCIATE

On 19 October 2005, the Group entered into an agreement with an independent third party to dispose of its 43% equity interest in Prime Glory Treasure Limited at a cash consideration of HK$13,605,000, resulting in a loss on disposal of an associate amounted to HK$1,238,000 which had been recognised in the income statement for the year ended 31 December 2005. Details of the disposal are summarised below:

	2006	2005
	HK$'000	HK$'000
Share of net assets disposed of	–	5,590
Carrying amount of goodwill arising from the acquisition of an associate *(Note 18)*	–	9,253
Loss on disposal of an associate	–	(1,238)
Total consideration satisfied by cash	–	13,605

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary

On 21 July 2006, the Group entered into an agreement with an independent third party (the ''Purchaser'') for the disposal of its entire 100% equity interest in Spa D'or Limited (''Spa D'or'') (the ''Disposal'') and the loan owed by Spa D'or at a cash consideration of approximately HK$149,000. The Disposal was completed on 1 August 2006 and the net liabilities of Spa D'or disposed of at the date of completion of the Disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	527
Inventories	46
Trade and other receivables	268
Cash at banks and in hand	1
Deferred income	(3,029)
	(2,187)
Direct costs incurred by the Group in connection with the Disposal	52
Gain on disposal of a subsidiary	2,284
Consideration satisfied by cash	149

The analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

	HK$'000
Cash consideration	149
Cash and cash equivalents disposed of	(1)
Direct costs incurred by the Group in connection with the Disposal	(52)
Net inflow of cash and cash equivalents	96

Notes to the Financial Statements

for the year ended 31 December 2006

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's major financial instruments include available-for-sale financial assets, trade and other receivables, loans receivable, amount due from an associate, amount due from a related company, cash and cash equivalents and trade and other payables. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage and monitor these exposures and to ensure appropriate measures are implemented on a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purposes.

Market risk

(a) Foreign currency risk

The Group has no significant foreign currency risk due to limited foreign currency transactions.

(b) Interest rate risk

The Group has no borrowings which bear fixed or floating interest rates and the Group's exposure to market risk for changes in interest rates relates primarily to the cash at banks and in hand and short term bank deposits.

(c) Other price risk

Certain of the Group's available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity securities price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The carrying amounts of trade and other receivables, loans receivable, advances to various investee companies, amount due from an associate and amount due from a related company represent the Group's maximum exposure to credit risk in relation to its financial assets. The carrying amounts of these financial assets presented in the balance sheets are net of impairment losses, if any. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the management reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's exposure to bad debts is minimal.

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

The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

35. FINANCIAL GUARANTEE CONTRACTS

The Group and the Company has executed guarantees amounting to HK$300,000 (2005: Nil) with respect to the banking facilities granted by a bank to an associate. Under the guarantee, the Group and the Company would be liable to pay the bank if the bank is unable to recover the amount due from the associate. At the balance sheet date, no provision for the Group's and the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the associate would default in repayment to the bank.

At 31 December 2006, the banking facilities guaranteed by the Group and the Company to an associate were utilised to the extent of approximately HK$125,000 (2005: Nil).