Golden Resorts

黃金集團

Golden Resorts Group Limited
黃金集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1031)

Annual Report 2008





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. CHU, Nicholas Yuk-yui

Executive Directors

Dr. CHU Yuet Wah (Chief Executive Officer)
Mr. WONG Hin Shek

Independent Non-executive Directors

Dr. WONG Yun Kuen
Mr. LAU Man Tak
Mr. YU Peter Pak Yan

COMPANY SECRETARY

Mr. LAI Yick Fung

AUDITORS

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISERS

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

BERMUDA LEGAL ADVISERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

1031

WEBSITE

http://www.goldenresortsgroup.com

FINANCIAL RESULTS

On behalf of the Board of Directors ("the Board") of Golden Resorts Group Limited ("the Company"), I am pleased to announce the result of the Company and its subsidiaries (collectively, "the Group") for the year ended 31 December 2008.

For the year ended 31 December 2008, the Group's turnover was approximately HK$422 million, representing a decrease of 11% as compared with HK$474 million in last year. Revenue from hotel operation reported a 4% drop from HK$151 million last year to HK$145 million, whereas revenue from casino amounted to HK$277 million, a decrease of 14% as compared to HK$323 million in last year.

The Group recorded loss attributable to equity shareholders of the Company amounted to approximately HK$181 million, whereas there was a profit attributable to equity shareholders of the Company of approximately HK$138 million in last year. The loss in year 2008 was arrived at after charging impairment loss of prepaid land lease payments of HK$142 million, impairment loss on available-for-sale investment of HK$13 million, net unrealised loss of trading securities of HK$80 million and realised loss on disposal of trading securities of HK$38 million. The basic loss per share was HK2.44 cents (2007: Earnings per share HK1.97 cents).

DIVIDEND

The Board of the Company recommended a payment of final dividend of HK1 cent per share of the Company for the year ended 31 December 2008, subject to approval by shareholders of the Company at the forthcoming annual general meeting to be held on 2 June 2009.

BONUS ISSUE OF WARRANTS

On 3 June 2008, the Company issued bonus warrants to shareholders on the basis of one bonus warrant for every five shares held. Such warrants entitle the registered holder to subscribe for new shares of the Company at an initial subscription price of HK35 cents per share, subject to amendment, at any time from 3 June 2008 to 9 June 2010. During the year under review, 3,333 shares were subscribed by a registered holder.

CLOSURE OF REGISTER OF MEMBERS

The book closure dates are from 29 May 2009 to 2 June 2009, both days inclusive. No transfer of shares will be registered during this period. In order to qualify for the entitlement to the final dividend for the year ended 31 December 2008, all transfers accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on 27 May 2009.

BUSINESS REVIEW

Hotel & Gaming Business

In 2008, global market suffered from unprecedented upheaval particularly pursuant to outbreak of financial tsunami in second half of the year. At the local level, Macau also experienced intensive competition which hindered the growth of the hotel and gaming industry. The government of the People's Republic of China (the "PRC") tightened its visa policy, leading to a drop in number of mainland visitors to Macau. The shortened average length of stay added to the adverse impact on the said policy.

BUSINESS REVIEW (CONTINUED)

Hotel & Gaming Business (Continued)

The Group recorded hotel and gaming revenue of HK$422 million in year 2008, a drop of HK$52 million or 11% as compared to HK$474 million in year 2007. Gaming income accounted for 66% (2007: 68%) and revenue from the hotel business contributed 34% (2007: 32%) of the total turnover.

The Group's gaming operation continued to receive solid contribution amid fierce competition arising from opening of other new casinos, expanded capacity of existing casinos and drop of mainland visitors following the tightened visa policy of the PRC. Gaming revenue amounted to HK$277 million for the year 2008 (2007: HK$323 million).

The Group's hotel operation, mainly comprised of hotel rooms and food and beverage, experienced mild drop in year 2008. The corresponding revenue amounted to HK$145 million (2007: HK$151 million). Through well planned renovation work leading to upgrading of guest rooms coupled with top-class attentive services, the Group is confident to enhance the profitability in the hotel operation.

Future Business Prospects and Plans

The Group is continuously pursuing various marketing and promotion activities though the comprehensive membership programme. Guests can enjoy quality services within the Group's properties with the use of our casino package. The Group recorded expansion in membership base of the programme.

The Group will also further strengthen its position with travel agencies and offer packages and joint promotions with business partners to direct a wider scope of customers to the two hotels and gaming facilities. In particular with the tightened visa policy of the PRC, the Group will devote more resources to customers from other territories such as South East Asia countries.

EMPLOYEES

As at 31 December 2008, the Group employed a total of approximately 750 staff. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

PLEDGE OF ASSETS

As at 31 December 2007, the Group's leasehold land and buildings in Macau with a market value of approximately HK$2,530 million were pledged to banks for banking facilities granted to the Group amounted to approximately HK$140 million. As at 31 December 2008, the pledge had been fully released and no asset was pledged.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

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

REVIEW BY AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Group had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2008, except that the Non-executive Director and Independent Non-executive Directors are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

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

Hong Kong, 20 April 2009

The Directors of the Company (the "Directors") have pleasure in submitting their report and the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 25. The Board resolved to recommend a final dividend of HK$0.01 per share for the year ended 31 December 2008 (2007: HK$0.01), subject to approval by shareholders of the Company at the forthcoming annual general meeting to be held on 2 June 2009. The final dividend will be payable on or about 12 June 2009 to the shareholders whose names appear on the Register of Members of the Company on 2 June 2009. No interim dividend was declared during both year 2008 and year 2007.

SEGMENTAL INFORMATION

An analysis of the Group's performance for the year ended 31 December 2008 is set out in note 5 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity on page 29 respectively.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2008 are set out in note 29 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,099,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2007, the Group had total borrowings amounted to approximately HK$140 million representing bank loans and overdrafts. As at 31 December 2008, the borrowings had been fully repaid. The gearing ratio is measured on the basis of total borrowings less bank and cash balances over net assets. As the Group was in net cash position, hence, no gearing ratio is presented for both years.

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2008 the shareholders' fund and net current assets of the Group amounted to approximately HK$2,822 million and HK$471 million respectively. On the same date, the Group had cash and bank balance of HK$404 million and the current ratio was 14 (2007: 4).

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2008.

CAPITAL STRUCTURE

(i) For the year ended 31 December 2008, the Company purchased 27,362,000 of its ordinary shares on the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). All the shares purchased were cancelled.

(ii) Pursuant to a resolution passed on 3 June 2008, a bonus issue of new warrants to shareholders was made on the basis of one warrant for every five shares held. Such warrants will entitle the registered holder to subscribe for new shares of the Company at an initial subscription price of HK35 cents per share at any time from the date of issue, 10 June 2008 to 9 June 2010. On 10 June 2008, 1,480,023,698 warrants were issued. During year ended 31 December 2008, a registered holder subscribed for 3,333 new shares of the Company. As a result, as at 31 December 2008 there were 1,480,020,365 outstanding warrants.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were approximately 67% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 63% of the Group's total revenue for the year.

The aggregate purchases and service received during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases and service received.

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

FIVE YEAR FINANCIAL SUMMARY

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

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)		(restated)
Turnover					
Continuing operation	**421,748**	474,135	442,516	253,806	–
Discontinued operation	**–**	–	64,349	128,024	126,176
	421,748	474,135	506,865	381,830	126,176
(Loss)/profit attributable to shareholders					
Continuing operation	**(179,910)**	139,964	121,669	(290,172)	(5,693)
Discontinued operation	**–**	–	(1,199)	(2,582)	(5,442)
	(179,910)	139,964	120,470	(292,754)	(11,135)
Total assets	**2,859,876**	3,435,006	2,951,865	3,015,620	795,554
Total liabilities	**(34,915)**	(174,045)	(351,998)	(601,891)	(72,754)
Minority interest	**(2,568)**	(5,662)	(10,136)	–	–
Shareholders' fund	**2,822,393**	3,255,299	2,589,731	2,413,729	722,800

Note:

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

Proceeds from sale of trading securities had been included in Turnover of Continuing operation in prior years. For the year ended 31 December 2008, sales proceeds arising from the sale of trading securities are not presented as Revenue. The comparative figures for the years 2004, 2006 and 2007 have been reclassified to conform with current year presentation.

SHARE OPTIONS AND SHARE CAPITAL

Details of the movements in the share options and share capital of the Company during the year are set out in notes 26 and 28 to the financial statements respectively.

SHARE OPTION SCHEMES

Details of the share option schemes are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Except for the repurchase of the Company's own ordinary shares as asset out in note 28 to the financial statements, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS

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

Executive directors

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

Non-executive Director

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

Independent Non-executive Directors

Mr. LAU Man Tak
Dr. WONG Yun Kuen
Mr. YU Peter Pak Yan
(appointed on 1 September 2008)
Ms. LO Miu Sheung, Betty
(resigned on 1 September 2008)

In accordance with the bye-law 87(1), Mr. CHU, Nicholas Yuk-yui and Mr. WONG Hin Shek will retire by rotation at the forthcoming annual general meeting. In accordance with the bye-law 86(2), Mr. YU Peter Pak Yan shall hold office until the next following general meeting.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

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

Chairman and Non-executive Director

Mr. CHU, Nicholas Yuk-yui, aged 56, holds a Bachelor's degree in Accounting and a Master of Business Administration from the Louisiana State University. He has over 26 years of experience in commercial property leasing and management, and more than a total of 16 years of experience in corporate finance, foreign exchange, lending, securities and futures trading industries. He is a member of Hong Kong Securities Institute and a responsible officer under the Securities and Futures Ordinance for type 1 and 2 activities. He is also the husband of Dr. CHU Yuet Wah and he joined the Group in February 2006.

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

The Chief Executive Officer and Executive Director

Dr. CHU Yuet Wah, aged 50, is the Chief Executive Officer and an Executive Director of the Company. She has been involved in gaming entertainment related services and has profound knowledge in the development of the gaming entertainment industry in Macau. She is also the controlling shareholder of the Kingston group of companies which are engaged in securities, investment banking, financing and the financial services business in Hong Kong. She is the Member of National Committee of Chinese People's Political Consultative Conference, Member of Guangdong Committee of Chinese People's Political Consultative Conference, Vice Chairman of Hong Kong Committee of the Chinese People's Political Consultative Conference (Provincial) Member Association Foundation, Vice Chairman of The Chamber of Hong Kong Listed Companies, Director of The Institute of Securities Dealers Limited, Director of China Red Cross Jet Li One Foundation, Director of Po Leung Kuk, Chairman of Aplichau Promotion of Tourism Association, School Manager of Aplichau KaiFong Primary School, Chairman of The Aplichau KaiFong Welfare Association, Honorary President of Hong Kong Federation of Women, Life Honorary President of The Tung Koon District General Association, President of the Women's Community of Tung Koon General Association, Permanent Honorary President of Hong Kong Southern District Orchestra and Honorary Senior President of Hong Kong Southern District Women's Association, She received an Honorary Doctorate of Philosophy in Business Management degree from York University, the U.S.A. and holds a Bachelor of Science in Management degree from Golden Gate University, the U.S.A. She is also the wife of Mr. CHU, Nicholas Yuk-yui and she joined the Group in April 2005.

Executive Director

Mr. WONG Hin Shek, aged 39, joined the Group on 23 February 2005 as the executive Director. He is also directors of various subsidiaries of the Group. Mr. Wong is currently an executive director of each of Climax International Company Limited and Sunny Global Holdings Limited, which are companies listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He has been involved in management, business development, strategic investment and investor relations in these companies. Mr. Wong is also a responsible officer of a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He worked in a number of reputable investment banks and the Listing Division of the Stock Exchange. Mr. Wong has extensive experience in finance, operation and strategic investment of listed companies in Hong Kong.

He holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada.

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

Independent Non-executive Directors

Dr. WONG Yun Kuen, aged 51, received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (Stock Code: 768), and an Independent Non-executive Director respectively of Grand Field Group Holdings Limited (Stock Code: 115), Harmony Asset Limited (Stock Code: 428), Bauhaus International (Holdings) Limited (Stock Code: 483), Kaisun Energy Group Limited (Stock Code: 8203), and China Yunnan Tin Minerals Group Company Limited (Stock Code: 263), Climax International Company Limited (Stock Code 439), Superb Summit International Timber Company Limited (Stock Code: 1228), China E-learning Group Limited (Stock Code: 8055) and Kong Sun Holdings Limited (Stock Code: 295). He joined the Group in June 2005.

Mr. LAU Man Tak, aged 39, holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has 16 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He is currently an executive director of Warderly International Holdings Limited (Stock code: 607) and an Independent Non-executive Director of Climax International Company Limited (Stock code: 439). He was also a former Executive Director of Solartech International Holdings Limited (Stock code: 1166) from 2002 to 2007 and Hua Yi Copper Holdings Limited (Stock code: 559) from 2004 to 2007 and a former Independent Non-executive Director of Hong Kong Health Check and Laboratory Holdings Company Limited (Stock code: 397) from 2003 to 2006. He joined the Group in October 2005.

Mr. YU Peter Pak Yan, aged 58, has over 28 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor Degree in Management from Youngstown State University in Ohio, U.S.A. and a Master of Science Degree in Financial Services from American College in Pennsyvania, U.S.A.. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980-1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is also an executive director of Kong Sun Holdings Limited (Stock code: 295).

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the Directors' emoluments and of the five highest paid individuals of the Group are set out in notes 14 and 15 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 34 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

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

At 31 December 2008, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Long positions in the Shares:

Name of Directors	Number of shares of the Company Personal Interests	 Corporate Interests	No. of underlying shares of the Company	Total	Approximate percentage of shareholding
Dr. CHU Yuet Wah	–	3,158,419,680 (Note 1)	654,625,136 (Note 2)	3,813,044,816	51.62%
Mr. CHU, Nicholas Yuk-yui	–	3,158,419,680 (Note 1)	654,625,136 (Note 2)	3,813,044,816	51.62%
Mr. WONG Hin Shek	–	–	60,600,000 (Note 3)	60,600,000	0.82%

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

Notes:

(1) As at 31 December 2008, of the 3,158,419,680 shares, 3,131,847,990 shares are held by Sure Expert Limited which is wholly and beneficially owned by Dr. Chu Yuet Wah ("Dr. CHU"), 26,566,665 shares are held by Kingston Capital Limited and 5,025 Shares are held by Kingston Securities Limited. Both Kingston Capital Limited and Kingston Securities Limited are controlled by Dr. CHU, Mr. CHU, Nicholas Yuk-yui ("Mr. CHU"), the husband of Dr. CHU, is deemed to be interested in these 3,158,419,680 shares.

(2) As at 31 December 2008, Dr. CHU, through Sure Expert Limited held 624,128,798 warrants, Kingston Capital Limited held 5,313,333 warrants and Kingston Securities Limited held 183,005 warrants conferring rights to subscribe for up to approximately HK$220,368,798 in aggregate in cash for 629,625,136 new shares at an adjusted subscription price of HK$0.35 per share. Each of Mr. CHU, and Dr. CHU personally held 12,500,000 share options conferring rights to subscribe for 12,500,000 shares. Mr. CHU, the husband of Dr. CHU, is deemed to be interested in the 642,125,136 underlying shares held by Dr. CHU. Dr. CHU is deemed to be interested in the 12,500,000 underlying shares held by Mr. CHU.

(3) As at 31 December 2008, 60,600,000 share options conferring rights to subscribe for 60,600,000 shares.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company Personal Interests	Corporate Interests	No. of underlying shares of the Company	Total	Approximate percentage of shareholding
Sure Expert Limited *(Note 1)*	–	3,131,847,990	624,128,798	3,755,976,788	50.85%
Choose Right Limited	–	676,250,000	135,250,000	811,500,000	10.99%

Note:

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

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Save as disclosed above, as at 31 December 2008, to the best knowledge of the Board, none of the Directors or their respective associates was interested in any business which competes or is likely to compete with the business of the Group.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Company are set out in note 34 to the financial statements.

AUDIT COMMITTEE

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

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE OF BEST PRACTICE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

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

Hong Kong, 20 April 2009

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2008.

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

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

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

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

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

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

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

THE BOARD

Responsibilities

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

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

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

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

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

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

THE BOARD (CONTINUED)

Composition

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

The Board comprises the following Directors:

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

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

Independent Non-executive Directors:
Mr. LAU Man Tak *(Chairman of Audit Committee & Member of Remuneration Committee)*
Dr. WONG Yun Kuen *(Member of Audit Committee & Member of Remuneration Committee)*
Mr. YU Peter Pak Yan *(Member of Audit Committee & Chairman of Remuneration Committee)*

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

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Appointment and Succession Planning of Directors

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

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

In accordance with the Company's bye-laws, any Director so appointed by the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the following annual general meeting ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

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

In accordance with the bye-law 86(2) of the Company's bye-laws, Mr. YU Peter Pak Yan shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. In accordance with the bye-law 87(1), Mr. CHU, Nicholas Yuk-yui and Mr. WONG Hin Shek shall retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

THE BOARD (CONTINUED)

Appointment and Succession Planning of Directors (Continued)

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

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

Training for Directors

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

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

Board Meetings

Number of Meetings and Directors' Attendance

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

During the year ended 31 December 2008, four Board meetings were held, which were regular Board meetings of the Company. The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2008 is set out below:

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

Notes:

(1) Appointed on 1 September 2008

(2) Resigned on 1 September 2008

THE BOARD (CONTINUED)

Board Meetings (Continued)

Number of Meetings and Directors' Attendance (Continued)

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

BOARD COMMITTEES

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

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

Remuneration Committee

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

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

The Remuneration Committee met once during the year ended 31 December 2008 and reviewed the existing remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2008 to review the financial results and reports, financial reporting and compliance procedures, the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

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

The Company's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2008.

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

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

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

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2008.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 23 to 24.

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2008 amounted to HK$500,000 and HK$53,500 respectively.

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

Types of Services	**Amount of Fees Payable/Paid** *(HK$)*
Audit Services	500,000
Non-audit Services	
1. Tax services	7,600
2. Others	45,900
	53,500
Total	553,500

INTERNAL CONTROLS

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

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

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

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

事務所 會計師 陳浩賢

GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

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

We have audited the consolidated financial statements of Golden Resorts Group Limited set out on pages 25 to 88, which comprise the consolidated and Company balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

20 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Revenue	*4*	**421,748**	474,135
Cost of sales		**(15,679)**	(15,107)
Operating cost		**(143,046)**	(150,632)
Gross profit		**263,023**	308,396
Other income	*6*	**11,472**	18,582
(Loss)/gain from sales of trading securities		**(37,876)**	10,405
Gain on disposal of available-for-sale investments		**1,194**	–
Gain on change in fair value of conversion options		**2,766**	–
Administrative expenses		**(138,364)**	(146,196)
Other operating expenses	*10*	**(12,053)**	(3,638)
Other losses	*10*	**(234,795)**	(4,635)
Staff costs	*7*	**(35,116)**	(28,299)
Finance costs	*8*	**(186)**	(14,579)
(Loss)/profit before taxation		**(179,935)**	140,036
Taxation	*9*	**25**	(72)
(Loss)/profit for the year	*10*	**(179,910)**	139,964
Attributable to:			
Equity shareholders of the Company	*11*	**(180,816)**	138,438
Minority interest		**906**	1,526
		(179,910)	139,964
Dividend	*12*	**74,000**	–
(Loss)/earnings per share (cents per share)	*13*		
– Basic		**(2.44)**	1.97
– Diluted		**N/A**	1.93

CONSOLIDATED BALANCE SHEET

As At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**1,702,472**	1,899,017
Prepaid land lease payments	*17*	**625,712**	781,853
Available-for-sale investments	*19*	**12,702**	–
Conversion options embedded in convertible notes	*20*	**7,711**	–
Deferred tax assets	*27*	**5,575**	5,575
Deposit for hotel renovation and acquisition of property, plant and equipment		**–**	19,956
		2,354,172	2,706,401
Current assets			
Inventories	*21*	**2,060**	2,497
Prepaid land lease payments	*17*	**15,775**	19,066
Available-for-sale investments	*19*	**2,307**	25,887
Trading securities	*22*	**38,055**	15,261
Trade and other receivables	*23*	**43,616**	60,154
Cash and cash equivalents	*30*	**403,891**	605,740
		505,704	728,605
Current liabilities			
Trade and other payables	*24*	**33,622**	33,141
Borrowings – due within one year	*25*	**1,246**	140,832
Tax payable		**47**	72
		34,915	174,045
Net current assets		**470,789**	554,560
Net assets		**2,824,961**	3,260,961
Capital and reserves			
Share capital	*28*	**73,863**	74,137
Reserves		**2,748,530**	3,181,162
Total equity attributable to equity shareholders of the Company		**2,822,393**	3,255,299
Minority interest		**2,568**	5,662
Total equity		**2,824,961**	3,260,961

The financial statements on pages 25 to 88 were approved and authorised for issue by the board of directors on 20 April 2009 and are signed on its behalf by:

CHU, Nicholas Yuk-yui
Director

WONG Hin Shek
Director

BALANCE SHEET

As At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**602**	1,337
Investments in subsidiaries	*18*	**1,905,459**	1,585,469
		1,906,061	1,586,806
Current assets			
Deposits and prepayment	*23*	**2,265**	2,719
Cash and cash equivalents	*30*	**25,638**	350,119
		27,903	352,838
Current liabilities			
Other payable and accruals	*24*	**2,408**	2,565
Net current assets		**25,495**	350,273
Net assets		**1,931,556**	1,937,079
Capital and reserves			
Share capital	*28*	**73,863**	74,137
Reserves	*29*	**1,857,693**	1,862,942
Total equity		**1,931,556**	1,937,079

CHU, Nicholas Yuk-yui
Director

WONG Hin Shek
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to equity shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Leasehold building revaluation reserve HK$'000	Employee share-based payment reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1 January 2008	74,137	1,657,532	–	814	906,880	57,411	3,191	235	555,099	3,255,299	5,662	3,260,961
Deficit arising from revaluation of leasehold buildings	–	–	–	–	(168,877)	–	–	–	–	(168,877)	–	(168,877)
Realised upon depreciation based on revalued amount of land and building	–	–	–	–	(21,659)	–	–	–	21,659	–	–	–
Unrealised loss arising from change in fair value of available-for-sale investments	–	–	–	–	–	–	(11,052)	–	–	(11,052)	–	(11,052)
Net income/(expenses) directly recognised in equity	–	–	–	–	(190,536)	–	(11,052)	–	21,659	(179,929)	–	(179,929)
Realised on disposal of available-for-sale investments	–	–	–	–	–	–	(3,961)	–	–	(3,961)	–	(3,961)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	13,194	–	–	13,194	–	13,194
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(180,816)	(180,816)	906	(179,910)
Total recognised income and expenses for the year	–	–	–	–	(190,536)	–	(1,819)	–	(159,157)	(351,512)	906	(350,606)
Share repurchased	(274)	(7,228)	274	–	–	–	–	–	(274)	(7,502)	–	(7,502)
Issue of share by warrant subscription	–	1	–	–	–	–	–	–	–	1	–	1
Employee share-based payments	–	–	–	–	–	107	–	–	–	107	–	107
Forfeiture of share options	–	–	–	–	–	(206)	–	–	206	–	–	–
Expire of warrants	–	–	–	–	–	(48,800)	–	–	48,800	–	–	–
Capital return to minority interest holders of a subsidiary resulting from capital reduction	–	–	–	–	–	–	–	–	–	–	(4,000)	(4,000)
Payment of dividends	–	–	–	–	–	–	–	–	(74,000)	(74,000)	–	(74,000)
	(274)	(7,227)	274	–	–	(48,899)	–	–	(25,268)	(81,394)	(4,000)	(85,394)
At 31 December 2008	73,863	1,650,305	274	814	716,344	8,512	1,372	235	370,674	2,822,393	2,568	2,824,961

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss)/profit for the year		(179,910)	139,964
Adjustments for:			
Income tax recognised in profit or loss		(25)	72
Finance costs		186	14,579
Interest income	6	(8,004)	(13,511)
Dividend income	6	(1,856)	(781)
Loss/(gain) on disposal of investment at fair value		37,876	(10,405)
Gain on disposal of available-for-sale investments		(1,194)	–
Gain on change in fair value of conversion options		(2,766)	–
Depreciation of property, plant and equipment		86,910	94,718
Amortisation of prepaid land lease payments		19,279	19,066
Impairment loss on property, plant and equipment		4,058	–
Loss of disposal of property, plant and equipment		–	1,890
Impairment losses on trade and other receivables		7,995	1,748
Unrealised exchange loss		143	–
Unrealised loss on trading securities		79,953	4,635
Impairment loss on available-for-sale investment		13,194	–
Impairment loss on prepaid land lease payments		141,557	–
Revaluation deficit on leasehold building		91	–
Equity-settled share-based payment expenses	7	107	925
Operating profit before changes in working capital		197,594	252,900
Decrease/(increase) in inventories		437	(532)
Decrease in trade and other receivables		10,322	10,162
(Decrease)/increase in trade and other payables		(1,519)	7,797
Cash from operations		206,834	270,327
Hong Kong profits tax paid		–	–
Net cash from operating activities		206,834	270,327
Investing activities			
Payment for the purchase of property, plant and equipment		(43,435)	(28,025)
Payment for the acquisition of interests in leasehold land		(1,404)	–
Proceeds from disposal of property, plant and equipment		–	145
Payment for the purchase of:			
– trading securities		(157,586)	(71,141)
– available-for-sale investments		–	(7,157)
– convertible notes		(16,380)	–
Net proceeds from sales of:			
– trading securities		16,963	61,650
– available-for-sale investments		8,351	–
Deposit paid for hotel renovation		–	(5,321)
Interest received		6,225	13,069
Dividend received		1,856	781
Net cash used in investing activities		(185,410)	(35,999)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Financing activities			
Issue of shares		1	504,473
Share repurchase		(7,502)	(22,430)
Capital return to minority interest holders of a subsidiary		(2,000)	(4,000)
Repayment of bank loans		(140,000)	(180,000)
Interest paid		(186)	(14,579)
Payment of capital element of finance leases		–	(3)
Dividend paid		(74,000)	–
Dividend paid to minority interest holders of a subsidiary		–	(2,000)
Net cash (used in)/from financing activities		(223,687)	281,461
Net (decrease)/increase in cash and cash equivalents		(202,263)	515,789
Cash and cash equivalents at 1 January		604,908	89,119
Cash and cash equivalents at 31 December	*30*	402,645	604,908

1 CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 18 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

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

– leasehold properties

– financial instruments classified as trading securities, available-for-sale investments or embedded financial derivative

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Judgments made by management in the application of HKFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

(b) Subsidiaries and minority interests

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

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

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

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leased assets

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

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

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

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

(e) Inventories

Inventories represent food and beverage, consumable and other goods of hotel and are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases and sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted for the Group and the Company's financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group and the Company manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Available-for-sale investments

Available-for-sale financial assets are those non-derivatives that are either designated as available-for-sale or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, and cash and cash equivalents), are carried at amortised cost using the effective interest rate method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below), unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment.

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Impairment of financial assets (Continued)

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities.

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Group and the Company's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities, including trade and other payables and borrowings, are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Group and the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Embedded financial derivative

Embedded derivative are treated as separate derivatives when their economic characteristics and risk are not clearly and closely related to those of the host contract; the terms of the embedded derivatives would meet the definition a stand-alone derivatives they were contained in a separate contract; and the combined contract is not held for trading or designed at fair value. These embedded derivatives are measured at fair value with changes therein recognised in income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial guarantees issued

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

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

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(g) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

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

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

- prepaid land lease payments;

- investments in subsidiaries.

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

Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits

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

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

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

(ii) Retirement benefit costs

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

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

(iii) Share-based payments

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (Continued)

(iv) Termination benefits

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

(j) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions and contingent liabilities

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

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

(l) Revenue recognition

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

(i) Sales of goods

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

(ii) Hotel revenue

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

(iii) Casino income

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

(iv) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowing costs

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

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

(o) Related parties

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Segment reporting

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

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

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

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

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

3 ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the company's financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on how the results and financial position of the company for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

3 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedge of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendment to HKFRS 5, which is effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective from 1 July 2009
7 Effective from annual periods ending on or after 30 June 2009

4 REVENUE

An analysis of the Group's revenues, which are also the Group's turnover is as follows:

	2008	2007
	HK$'000	HK$'000
		(restated)
Operating of hotels		
– room rental	**103,133**	109,692
– food and beverage sale	**36,772**	36,313
– income from casino	**277,065**	323,472
– other rental income	**4,778**	4,658
	421,748	474,135

Proceeds from sale of trading securities had been included in Revenue in prior years. For the year ended 31 December 2008, sale proceeds arising from the sale of trading securities are not presented as Revenue. The comparative figure for the year 2007 has been reclassified to confirm with current year presentation.

5 SEGMENTAL INFORMATION

Primary reporting format – business segments

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

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

Investment business – trading of listed securities.

5 SEGMENTAL INFORMATION (CONTINUED)

Primary reporting format – business segments (Continued)

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2007 and 2008, and certain assets and liabilities information regarding business segments at 31 December 2007 and 2008.

	Holding and operating of hotels		Trading of listed securities		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000 (restated)
Revenue from external customers	**421,748**	474,135	**–**	–	**421,748**	474,135
Segment result	**(38,878)**	159,254	**(112,629)**	5,763	**(151,507)**	165,017
Interest income					**8,004**	13,511
Unallocated operating income and expenses					**(36,246)**	(23,913)
(Loss)/profit from operations					**(179,749)**	154,615
Finance costs					**(186)**	(14,579)
(Loss)/profit before taxation					**(179,935)**	140,036
Taxation					**25**	(72)
(Loss)/profit for the year					**(179,910)**	139,964
Segment assets	**2,703,618**	3,017,657	**100,670**	26,379	**2,804,288**	3,044,036
Unallocated assets					**55,588**	390,970
Total assets					**2,859,876**	3,435,006
Segment liabilities	**32,377**	31,406	**47**	72	**32,424**	31,478
Unallocated liabilities					**2,491**	142,567
Total liabilities					**34,915**	174,045
Other information						
Capital expenditure	**39,177**	20,877	**–**	–		
Depreciation and amortisation	**104,598**	112,867	**–**	–		
Impairment loss on property, plant and equipment	**4,058**	–	**–**	–		
Impairment loss on prepaid land lease payments	**141,557**	–	**–**	–		
Impairment loss on receivables	**7,995**	1,748	**–**	–		
Unrealised loss on trading securities	**–**	–	**79,953**	4,635		
Other non-cash expenses	**91**	1,892	**–**	–		

5 SEGMENTAL INFORMATION (CONTINUED)

Secondary reporting format – geographical segments

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

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

	Holding and operating of hotels		Trading of listed securities		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
The People's Republic of China ("PRC") including Hong Kong excluding Macau	–	–	–	–	–	–
Macau	421,748	474,135	–	–	421,748	474,135
	421,748	474,135	–	–	421,748	474,135

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

	Holding and operating of hotels		Trading of listed securities		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
The People's Republic of China ("PRC") including Hong Kong excluding Macau	2,521	1,926	100,670	26,379	103,191	28,305
Macau	2,701,097	3,015,731	–	–	2,701,097	3,015,731
Unallocated assets					55,588	390,970
					2,859,876	3,435,006

5 SEGMENTAL INFORMATION (CONTINUED)

Secondary reporting format – geographical segments (Continued)

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

	Holding and operating of hotels		Unallocated		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
The People's Republic of China ("PRC") including Hong Kong and excluding Macau	**–**	–	**25,618**	37	**25,618**	37
Macau	**39,177**	20,877	**–**	–	**39,177**	20,877
	39,177	20,877	**25,618**	37	**64,795**	20,914

6 OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income	**8,004**	13,511
Dividend income	**1,856**	781
Sundry income	**1,612**	4,290
	11,472	18,582

7 STAFF COSTS

	2008 HK$'000	2007 HK$'000
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	**34,796**	27,251
– contributions to defined contribution retirement plan	**213**	123
– equity-settled share-based payment expenses in relation to the grant of share options	**107**	925
Amount shown as staff costs in the consolidated income statement	**35,116**	28,299
Staff costs included in operating costs in the consolidated income statement	**54,901**	52,256
Total staff costs	**90,017**	80,555

8 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans and overdrafts	**186**	13,210
Interest on other loans	**–**	1,369
	186	14,579

9 TAXATION

	2008 HK$'000	2007 HK$'000
Current tax		
– Hong Kong profits tax	**–**	72
Overprovided in prior year		
– Hong Kong profits tax	**(25)**	–
Deferred tax *(note 27)*		
– Current year	**–**	–
	(25)	72

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the year.

Hong Kong profits tax was calculated at 17.5% of the estimated assessable profit for the year ended 31 December 2007.

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the year (2007: nil).

9 TAXATION (CONTINUED)

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

	2008 **HK$'000**	2007 HK$'000
(Loss)/profit before taxation	**(179,935)**	140,036
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions *(note)*	**(21,705)**	24,488
Tax effect of non-deductible expenses	**25,530**	14,435
Tax effect of non-taxable income	**(31,584)**	(46,761)
Reversal of deferred tax not recognised	**–**	(1,287)
Deferred tax assets not recognised	**27,759**	9,197
Overprovided in prior year	**(25)**	–
Taxation for the year	**(25)**	72

Note: The tax rates adopted here are 12% for those entities operating in Macau and 16.5% for entities operating in other jurisdictions.

10 (LOSS)/PROFIT FOR THE YEAR

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

	2008 HK$'000	2007 HK$'000 (restated)
Cost of inventories sold	15,679	15,107
Auditors' remuneration		
– audit services	500	500
– tax services	8	4
– other services	46	41
Amortisation of prepaid land lease payments	19,279	19,066
Depreciation		
– owned assets	86,910	94,718
Operating lease charges for hire of properties		
– minimum lease payments	6,859	2,649
Other operating expenses	12,053	3,638
– impairment losses for property, plant and equipment	4,058	–
– impairment losses for trade and other receivables	7,995	1,748
– loss on disposal of property, plant and equipment	–	1,890
Other losses	234,795	4,635
– impairment loss on available-for-sale investment	13,194	–
– impairment loss on prepaid land lease payments	141,557	–
– net revaluation deficit on leasehold building	91	–
– net unrealised loss on trading securities	79,953	4,635
Net exchange differences	(2,702)	(1,613)

11 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a profit of HK$75,871,000 (2007: HK$74,138,000) which has been dealt with in the financial statements of the Company.

12 DIVIDEND

	2008 HK$'000	2007 HK$'000
Final, paid – HK1 cent (2007: Nil) per share	74,000	–

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

13 (LOSS)/EARNINGS PER SHARE

	2008 HK cent	2007 HK cent
Basic (loss)/earnings per share	**(2.44)**	1.97
Diluted (loss)/earnings per share	**N/A**	1.93

(a) Basic (loss)/earnings per share

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit for the purpose of basic (loss)/earnings per share	**(180,816)**	138,438

	2008	2007
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**7,395,435,550**	7,030,272,876

(b) Diluted (loss)/earnings per share

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

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

	2008	2007
Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share	**7,395,435,550**	7,030,272,876
Shares deemed to be issued for no consideration in respect of:		
– Share options	**–**	91,467,052
– Warrants	**–**	52,499,714
	7,395,435,550	7,174,239,642

No diluted loss per share is presented for year ended 31 December 2008 as share options and warrants had no dilutive effect as the average market price of ordinary shares during that year did not exceed the exercise price of the share options and warrants.

14 DIRECTORS' REMUNERATION

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2008 and 2007 is set as follows:

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus payment HK$'000	Retirement scheme contribution HK$'000	2008 Total HK$'000
Executive directors					
Dr. Chu Yuet Wah	–	5,933	5,000	12	10,945
Mr. Wong Hin Shek	–	1,973	–	12	1,985
Non-executive director					
Mr. Chu, Nicholas Yuk-yui	650	333	–	–	983
Independent non-executive directors					
Dr. Wong Yun Kuen	60	–	–	–	60
Mr. Lau Man Tak	60	–	–	–	60
Mr. Yu Peter Pak Yan (appointed on 1 September 2008)	20	–	–	–	20
Ms. Lo Miu Sheung, Betty (resigned on 1 September 2008)	40	–	–	–	40
	830	8,239	5,000	24	14,093

14 DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus payment HK$'000	Retirement scheme contribution HK$'000	2007 Total HK$'000
Executive directors					
Dr. Chu Yuet Wah	–	5,534	–	12	5,546
Mr. Wong Hin Shek	–	1,633	–	12	1,645
Mr. Chi Chi Hung, Kenneth (resigned on 29 March 2007)	–	226	–	2	228
Non-executive director					
Mr. Chu, Nicholas Yuk-yui	650	333	–	–	983
Independent non-executive directors					
Dr. Wong Yun Kuen	60	–	–	–	60
Ms. Lo Miu Sheung, Betty	60	–	–	–	60
Ms. Lau Man Tak	60	–	–	–	60
	830	7,726	–	26	8,582

The discretionary bonus payment is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

No directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2007 and 2008.

There were no emoluments paid or payable as an inducement to directors to join the Group and no emoluments were paid or payable to the directors as compensation for loss of office during the years ended 31 December 2007 and 2008.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: 3) are directors whose emoluments are disclosed in note 14. The emoluments in respect of the remaining two (2007: 2) highest paid individuals are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other emoluments	1,592	1,484
Contributions to social security fund	1	–
Share-based payments	–	471
	1,593	1,955

Their emoluments were all within bands from HK$nil to HK$1,000,000. For year ended 31 December 2008, amount of HK$134,000 was paid to the above highest paid individual as compensation for loss of office.

16 PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold building held for own use	Leasehold improvement, furniture, fixture and equipment	Motor vehicles	Yacht	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation					
At 1 January 2007	1,731,821	273,018	5,631	–	2,010,470
Additions	–	19,717	1,197	–	20,914
Disposals	–	(2,916)	(253)	–	(3,169)
Adjustment on revaluation	653	–	–	–	653
At 31 December 2007	1,732,474	289,819	6,575	–	2,028,868
Representing:					
Cost	–	289,819	6,575	–	296,394
At 2007 valuation	1,732,474	–	–	–	1,732,474
	1,732,474	289,819	6,575	–	2,028,868
At 1 January 2008	1,732,474	289,819	6,575	–	2,028,868
Additions	2,004	35,769	–	25,618	63,391
Adjustment on revaluation	(210,562)	–	–	–	(210,562)
At 31 December 2008	1,523,916	325,588	6,575	25,618	1,881,697
Representing:					
Cost	–	325,588	6,575	25,618	357,781
At 2008 valuation	1,523,916	–	–	–	1,523,916
	1,523,916	325,588	6,575	25,618	1,881,697

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Leasehold building held for own use	Leasehold improvement furniture, fixture and equipment	Motor vehicles	Yacht	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation					
At 1 January 2007	41	74,839	1,705	–	76,585
Charge for the year	40,277	52,784	1,657	–	94,718
Eliminated on disposals	–	(1,020)	(114)	–	(1,134)
Adjustment on revaluation	(40,318)	–	–	–	(40,318)
At 31 December 2007	–	126,603	3,248	–	129,851
At 1 January 2008	–	126,603	3,248	–	129,851
Charge for the year	41,594	43,038	1,424	854	86,910
Impairment loss recognised	–	4,058	–	–	4,058
Adjustment on revaluation	(41,594)	–	–	–	(41,594)
At 31 December 2008	–	173,699	4,672	854	179,225
Net book value					
At 31 December 2008	1,523,916	151,889	1,903	24,764	1,702,472
At 31 December 2007	1,732,474	163,216	3,327	–	1,899,017

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

(b) The Group's buildings for own use were revalued by AA Property Services Limited, an independent professional valuer, on an open market value basis as at 31 December 2008. The valuation was arrived by adopting the income approach for hotel properties and by direct comparison approach for other properties by making reference to comparable sales transactions as available in the market.

(c) As at 31 December 2008, the total amount of revaluation deficits was HK$168,968,000. HK$168,877,000 has been transferred to the leasehold buildings revaluation reserve of the Group and the balance was recognised in the consolidated income statement. As at 31 December 2007, the total amount of revaluation surpluses of HK$40,971,000 had been transferred to the leasehold buildings revaluation reserve of the Group.

(d) Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been HK$807,662,000 (2007: HK$825,594,000).

(e) As at 31 December 2007, the leasehold buildings for own use with net book value of HK$1,730,000,000 were pledged to the bank for banking facilities granted to the Group *(note 25)*. As at 31 December 2008, the pledge has been fully released and no asset was pledged.

(f) During the year, certain hotel equipment was physically damaged. As a result, the group assessed the recoverable amount of those equipment to be nil and the carrying amount of the equipment was written down by HK$4,058,000 (included in "Other operating expenses").

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company	Leasehold improvement, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2007	2,401	1,041	3,442
Additions	37	–	37
Disposals	(7)	–	(7)
At 31 December 2007, 1 January 2008 and 31 December 2008	2,431	1,041	3,472
Accumulated depreciation			
At 1 January 2007	967	253	1,220
Charge for the year	574	343	917
Eliminated on disposals	(2)	–	(2)
At 31 December 2007	1,539	596	2,135
At 1 January 2008	1,539	596	2,135
Charge for the year	418	317	735
At 31 December 2008	1,957	913	2,870
Net book value			
At 31 December 2008	474	128	602
At 31 December 2007	892	445	1,337

17 PREPAID LAND LEASE PAYMENTS

	The Group HK$'000
Cost	
At 1 January 2007, 31 December 2007 and 1 January 2008	850,704
Additions	1,404
At 31 December 2008	852,108
Accumulated amortisation	
At 1 January 2007	30,719
Provided for the year	19,066
At 31 December 2007 and 1 January 2008	49,785
Provided for the year	19,279
Impairment loss	141,557
At 31 December 2008	210,621
Net book value	
At 31 December 2008	641,487
At 31 December 2007	800,919

At 31 December 2008, the prepaid land lease payments of the Group are situated in the Macau and are held under medium term leases. No leasehold land was pledged at 31 December 2008. At 31 December 2007, the leasehold land with net book value of HK$800,252,000 was pledged to the bank for banking facilities granted to the Group *(note 25)*.

During the year, the group assessed the recoverable amount of prepaid land lease payments. Based on this assessment, the carrying amount of the prepaid land lease payments was written down by HK$141,557,000, that has been recognised in profit or loss. The estimates of recoverable amount were based on the fair value of the land lease determined by reference to the valuation carried out by AA Property Services Limited, an independent professional valuer.

Analysed for reporting purposes as:

	2008 HK$'000	2007 HK$'000
Current asset	**15,775**	19,066
Non-current asset	**625,712**	781,853
	641,487	800,919

18 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**2,029,700**	1,724,704
Amounts due to subsidiaries	**(8,422)**	(139,235)
Less: impairment loss	**(115,819)**	–
	1,905,459	1,585,469

The amounts due from/(to) subsidiaries were unsecured, interest-free and had no fixed term of repayment except the amount of HK$450,000,000 due from a subsidiary which borne interest at 5% per annum as at 31 December 2007. The amount were non-current in nature.

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

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

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ registration and operation	Particulars of registered/ issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Goventure Finance Limited^	British Virgin Islands	US$1	100%	100%	–	Operating casino in hotels
Next Champion Limited	British Virgin Islands	US$1	100%	100%	–	Investment holding
Golden 28 Club*	Macau	HK$10,000,000	80%	–	80%	Operating casino in hotels
Crystal Sea Group Limited	British Virgin Islands	US$1	100%	100%	–	Investment holding
Noble Brand Limited#	British Virgin Islands	US$1	100%	100%	–	Trading of listed securities

\# Company operates principally in Hong Kong instead of in their respective places of incorporation/ establishment.

^ Company operates principally in Macau instead of in their respective places of incorporation/ establishment.

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

The movement in the allowance for impairment as of balance sheet date is as follows:

	The Company 2008 HK$'000	The Company 2007 HK$'000
Balance at beginning of the year	–	–
Impairment losses recognised	115,819	–
Balance at end of the year	115,819	–

Included in the allowance are individually impaired amount due from subsidiaries which have significant loss for the year.

19 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2008	2007
	HK$'000	HK$'000
Investment funds, at fair value *(Note 1)*	**2,307**	25,887
Convertible note, at fair value *(Note 2)*	**12,702**	–
	15,009	25,887

The available-for-sale investments are denominated in United States dollars and there is no public market for the investments.

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

Analysed for reporting purposes as:

	2008	2007
	HK$'000	HK$'000
Current asset	**2,307**	25,887
Non-current asset	**12,702**	–
	15,009	25,887

Note 1:

The fair value is based on net asset value of the investment funds at the balance sheet date. During the year ended 31 December 2008, a net loss arising on change in fair value of approximately HK$12,424,000 for the investment funds was recognised in investment revaluation reserve. Since the net asset value of the investment fund was declined significantly, the Group identified an impairment loss of HK$13,194,000 which was removed from the investment revaluation reserve and recognised in consolidated income statement.

Note 2:

The amount represents the fair value of debt elements of the convertible notes issued by a China based company.

19 AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

During the year ended 31 December 2008, the Group subscribed a convertible note with principal amount of US$2,000,000. The convertible notes are issued with different classes, which are ranged from Class A to C. They are secured by the assets of the issuer and its subsidiaries and carried interest at USD LIBOR plus 2% per annum for the first 12 months, at USD LIBOR plus 4 % per annum for the succeeding 12 months, at 3% from the date of IPO to the maturity date per annum. If there is no initial public offering of shares on major stock exchange ("IPO") before the maturity date, the convertible notes will mature in May 2010 and redeem in full for an amount which gives IRR of 25% per annum inclusive of the coupon on principal amount of the convertible notes. If there is IPO, the maturity date will be the later of 18 months from the date of IPO or May 2010.

Upon IPO, 35% of the convertible notes will be redeemed. The redemption amount will be 35% of the principal amount plus IPO return which gives an internal rate of return of 35% per annum. The IPO return on the remaining 65% of the convertible notes shall be capitalized and added the principal amount of the convertible notes ("Redemption Amount"). On the maturity date of the convertible notes, the holders have the right to redeem the remaining 65% of convertible notes for an amount equal to Redemption Amount to the extent that the convertible notes holders have not elected to convert into shares. If the convertible note holders have elected to convert part of convertible notes into shares, the Redemption Amount will be reduced proportionately.

The convertible notes holders may elect to convert the whole or any part of the Redemption Amount into shares in accordance with the following timetable.

Class of convertible notes	**Convertible from**
Class A	Date of IPO + 6 months
Class B	Date of IPO + 9 months
Class C	Date of IPO + 12 months

The fair value at initial recognition of the debt element and conversion option element of the convertible note, amounting to USD1,462,000 and USD617,000 *(note 20)* respectively, are measured in accordance with HKAS 39.

The fair value of debt element was calculated based on the estimated contractual cash flows over the remaining contractual terms of the convertible notes and discounted at the interest rates that are appropriate to the riskiness of the convertible notes. The discount rate of the debt component of convertible note are 12.368 % to 13.154% at date of subscription and 10.518% to 10.73% at 31 December 2008.

19 AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Trinomial Option Pricing Model is used for valuation for conversion option element of convertible notes. The inputs into the model of convertible note as at date of subscription and the year ended 31 December 2008, if applicable, was as follows:

	At subscription	31 December 2008
Aggregate principal amount (Stock price)	USD2,000,000	USD2,000,000
Aggregate Redemption Amount (Exercise price)	USD2,000,000	USD2,000,000
Risk free rate	3.793%	1.387%
Expected option period	3.5 years	2.9 years
Expected volatility	3.112%	2.867%

During the year ended 31 December 2008, a net gain arising on change in fair value of approximately HK$1,372,000 for the debt element of convertible notes were recognised in investment revaluation reserve.

20 CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

Conversion options embedded in convertible notes represented the conversion option element of the convertible notes subscribed by the Group and are measured at fair value using the Trinomial Option Pricing Model, at initial recognition and at balance sheet date. The debt element of those convertible notes are classified under available-for-sale investment.

As explained in note 19, the Group subscribed convertible notes during the year ended 31 December 2008 and an amount of USD617,000 was recognised as conversion options embedded in convertible notes which was measured at fair value at initial recognition. During the year ended 31 December 2008, the Group also recognised a increase in fair value changes of approximately HK$2,766,000 in consolidated income statement.

Details of the method and assumptions applied for the valuation of the conversion options embedded in convertible notes are set out in note 19.

21 INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Food and beverage	**2,060**	2,497

22 TRADING SECURITIES

	The Group	
	2008	2007
	HK$'000	HK$'000
– Equity securities listed in Hong Kong, at market value	**38,055**	15,261

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

23 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**35,117**	51,662	**–**	–
Deposits and prepayments	**8,499**	8,492	**2,265**	2,719
	43,616	60,154	**2,265**	2,719

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

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

	The Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**28,627**	34,680
31 – 60 days	**5,158**	7,658
61 – 90 days	**1,237**	1,737
Over 90 days	**12,605**	12,102
	47,627	56,177
Allowance for doubtful debt	**(12,510)**	(4,515)
	35,117	51,662

The Group generally allows an average credit period of 30 days to its customers. Further details on the Group's credit policy are set out in note 31.

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

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**4,515**	2,767
Impairment loss recognised	**7,995**	1,748
At 31 December	**12,510**	4,515

At 31 December 2008, the Group's trade receivable of HK$12,510,000 (2007: HK$9,015,000) were individually determined to be impaired. The individually impaired receivable related to a debtor who has dispute with the Group and for prudence sake, specific allowance for doubtful debts of HK$12,510,000 (2007: HK$4,515,000) was recognised. The Group does not hold any collateral over these balances.

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**28,336**	34,389
Past due but not impaired:		
Less than 1 month past due	**4,867**	7,366
1 to 3 months past due	**1,233**	1,722
More than 3 months past due	**681**	3,685
	6,781	12,773
	35,117	47,162

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

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

24 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**10,197**	11,582	**–**	–
Other payable and accruals	**23,425**	21,559	**2,408**	2,565
	33,622	33,141	**2,408**	2,565

All trade and other payables are expected to be settled within one year. Included in other payable and accruals are payables to minority interest holders of a subsidiary amount to HK$2,200,000 (2007: HK$200,000).

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

	2008	2007
	HK$'000	HK$'000
0 – 30 days	**6,982**	7,494
31 – 60 days	**3,058**	3,227
61 – 90 days	**94**	146
Over 90 days	**63**	715
	10,197	11,582

25 BORROWINGS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**1,246**	832	**–**	–
Bank loans, secured	**–**	140,000	**–**	–
	1,246	140,832	**–**	–
Amount due within one year and included in current liabilities	**1,246**	140,832	**–**	–
Amount due after one year	**–**	–	**–**	–

The secured bank loan was repaid in full during the year. At 31 December 2007, the banking facilities of the group were secured by mortgages over the leasehold land and buildings with an aggregate carrying amount of HK$2,530,252,000. The effective interest rate of the bank loan for 2007 was 4.79%.

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

26 EMPLOYEE RETIREMENT BENEFITS

(i) Defined contribution retirement plan

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

(ii) Share option scheme

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

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

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

26 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(ii) Share option scheme (Continued)

Details of the share options outstanding as at 31 December 2008 which have been granted under the Scheme are as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price (adjusted) *(note 1)*	Balance at 1 January 2008 (adjusted) *(note 1)*	Exercised in 2008 (adjusted) *(note 1)*	Lapsed in 2008 (adjusted) *(note 1)*	Balance at 31 December 2008
Directors:							
Dr. Chu Yuet Wah	28/4/2006	28/4/2006 to 31/12/2009	HK$0.40	12,500,000	–	–	12,500,000
Mr. Chu, Nicholas Yuk-yui	28/4/2006	28/4/2006 to 31/12/2009	HK$0.40	12,500,000	–	–	12,500,000
Mr. Wong Hin Shek	28/4/2006	28/4/2006 to 31/12/2009	HK$0.40	60,600,000	–	–	60,600,000
Staff	28/4/2006	1/1/2007 to 31/12/2009	HK$0.40	13,939,000	–	5,226,000	8,713,000
Consultants	28/4/2006	28/4/2006 to 31/12/2009	HK$0.40	60,600,000	–	–	60,600,000
				160,139,000	–	5,226,000	154,913,000

Note 1: The exercise price, the number of options outstanding as at 1 January 2008 and the number of options exercised and lapsed during the years ended 31 December 2008 have been adjusted in accordance with the bonus issue on basis of four bonus shares for every share held.

Note 2: The weighted average share price during the year ended 31 December 2008 was HK$0.24.

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

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

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

26 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(ii) Share option scheme (Continued)

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

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

A share-based payment expense amounting to HK$107,000 (2007: HK$925,000) has been recognised by the Group for the year ended 31 December 2008 in relation to share options granted by the Company.

27 DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Other assets HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 January 2007	3	–	5,572	5,575
Credit to consolidated income statement	–	–	–	–
At 31 December 2007	3	–	5,572	5,575
Credit to consolidated income statement	–	–	–	–
At 31 December 2008	3	–	5,572	5,575

At 31 December 2008, the Group has unused tax losses of approximately HK$376,465,000 (2007: approximately HK$234,568,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 December 2008 in respect of HK$46,429,000 (2007: HK$46,429,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for a period of:

	2008 HK$'000	2007 HK$'000
One year	59,548	35,771
More than one year but not more than two years	82,616	92,664
More than two years but not more than three years	61,223	59,196
Indefinitely	126,649	508
	330,036	188,139

28 SHARE CAPITAL

	2008		2007	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	30,000,000,000	300,000	30,000,000,000	300,000
Issued and fully paid:				
At 1 January	7,413,682,490	74,137	1,232,481,098	12,324
Share repurchased	(27,362,000)	(274)	(38,782,000)	(387)
Issue of share by warrant subscription	3,333	–	–	–
Issue of share by way of Top-Up Subscription	–	–	220,000,000	2,200
Issue of shares under share option plan	–	–	197,697,400	1,977
Bonus issue	–	–	5,802,285,992	58,023
At 31 December	7,386,323,823	73,863	7,413,682,490	74,137

During the year, the Company purchased 27,362,000 of its ordinary shares on the Stock Exchange of Hong Kong. All the shares purchased were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of shares acquired by month are as follows:

Month	Number purchased	Highest price paid HK$	Lowest price paid HK$	Total cost HK$'000
January 2008	13,564,000	0.36	0.29	4,371
July 2008	4,992,000	0.28	0.27	1,351
August 2008	7,076,000	0.25	0.19	1,607
October 2008	1,730,000	0.1	0.10	173
	27,362,000			7,502

Warrants

During the year, the Company made the bonus warrant issue to its shareholders on the basis of one warrant for every five shares held. 1,480,023,698 warrants were issued to the shareholders to subscribe up to HK$518,008,000 in aggregate in cash for shares at a subscription price of HK$0.35. Each warrant entitles the holders to subscribe in cash for one new share of HK$0.01 each in the Company at any time until 9 June 2010. Details of granting of warrants are disclosed in the Company's circular dated 9 May 2008.

During the year, 3,333 new shares of HK$0.01 each were issued pursuant to the bonus warrant issue at consideration of approximately HK$1,000.

28 SHARE CAPITAL (CONTINUED)

Capital Management

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

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

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

– to provide capital for the purpose of potential acquisitions.

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

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

During 2008, the Group's strategy was to maintain lower net gearing ratio. The net gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 **HK$'000**	2007 HK$'000
Total debt *(note 25)*	**1,246**	140,832
Less: Cash and cash equivalents *(note 30)*	**403,891**	605,740
Net cash	**402,645**	464,908
Net assets	**2,824,961**	3,260,961
Net gearing ratio	**N/A**	N/A

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

29 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 28 to 29 of the financial statements.

Company	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2007	1,226,231	69,332	71,584	–	502	1,367,649
Share repurchased	(22,043)	–	–	–	–	(22,043)
Issue of share by way of Top-Up Subscription	421,885	–	–	–	–	421,885
Issue of shares upon exercise of share option	89,482	–	(11,071)	–	–	78,411
Bonus issue	(58,023)	–	–	–	–	(58,023)
Employee share-based payment	–	–	925	–	–	925
Forfeiture of share options	–	–	(4,027)	–	4,027	–
Profit for the year	–	–	–	–	74,138	74,138
At 31 December 2007	1,657,532	69,332	57,411	–	78,667	1,862,942
At 1 January 2008	1,657,532	69,332	57,411	–	78,667	1,862,942
Share repurchased	(7,228)	–	–	274	(274)	(7,228)
Issue of share by warrant subscription	1	–	–	–	–	1
Employee share-based payment	–	–	107	–	–	107
Forfeiture of share options	–	–	(206)	–	206	–
Expiration of warrants	–	–	(48,800)	–	48,800	–
Profit for the year	–	–	–	–	75,871	75,871
Payment of dividends	–	–	–	–	(74,000)	(74,000)
At 31 December 2008	1,650,305	69,332	8,512	274	129,270	1,857,693

29 RESERVES (CONTINUED)

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

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

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

- the fair value of unlisted warrant granted for share-based payment transaction recognised in accordance with HKFRS 2.

- the fair value of unexercised share options granted to employees of the Company recognised in accordance with HKFRS 2. Details are set out in note 26.

The reserve available for distribution by the Company to the shareholders as at 31 December 2008 is approximately HK$198,602,000. (2007: HK$147,999,000)

30 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**323,556**	540,917	**22,987**	339,911
Cash held in securities accounts maintained in securities company	**42,098**	–	**–**	–
Cash at bank and in hand	**38,237**	64,823	**2,651**	10,208
Cash and cash equivalents in the consolidated balance sheet	**403,891**	605,740	**25,638**	350,119
Bank overdraft *(note 25)*	**(1,246)**	(832)		
Cash and cash equivalents in the consolidated cash flow statement	**402,645**	604,908		

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

31 FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Group and the Company's financial assets and liabilities as at the balance sheet date are as follows:

The Group

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial asset	**15,009**	25,887	**–**	–
At fair value through profit or loss				
– Held-for-trading investments	**38,055**	15,261	**–**	–
– Embedded derivatives	**7,711**	–	**–**	–
Loans and receivables	**440,509**	658,197	**1,939,567**	2,075,274
	501,284	699,345	**1,939,567**	2,075,274
Financial liabilities				
Financial liabilities measured at amortised cost	**22,717**	162,920	**9,881**	141,300

(b) Financial risk management objectives and policies

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

(i) Market risk

Foreign exchange risk

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

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2008 HK$'000	2007 HK$'000
USD	34,515	45,586
RMB	12,518	7,070

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group does not expect any significant movements in the exchange rate of USD to Hong Kong Dollars and it is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group sensitivity to a 2% (2007: 2%) increase and decrease in Hong Kong dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit where Hong Kong dollars weaken 2% (2007: 2%) against RMB. For a 2% (2007: 2%) strengthening of the Hong Kong dollars against RMB, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of RMB	
	2008 HK$'000	2007 HK$'000
Sensitivity rate	2%	2%
Profit after tax and retained earnings	250	141

This is mainly attributable to the exposure to cash and cash equivalents denominated in RMB.

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

It is assumed that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to foreign exchange risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. It is also assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2007.

Interest rate risk

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

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

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points (2007: 100 basis point) in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately HK$3,864,000 (2007: decrease/increase HK$4,471,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the company's exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

Price risk

The Group is exposed to price risks arising from equity investments held for trading purpose *(note 22)* and available-for-sale investments whose returns are linked to a portfolio of securities listed in Hong Kong and other major stock market *(note 19)*.

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

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Price risk (Continued)

The following table demonstrates the sensitivity to every 15% (2007: 10%) change in the equity prices with all other variables held constant and based on their carrying amounts at the balance sheet date. For the available-for-sale investments, the impact is deemed to be on the investment revaluation reserve and no account is given for factors such as impairment, which might have impact on the income statement. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

	Increase/ decrease in basis points	Increase/ decrease in net profit/loss HK$'000	Increase/ decrease in other equity reserves HK$'000
2008			
Trading securities	15%	4,766	–
Available-for-sale investments	15%	–	346
2007			
Trading securities	10%	1,274	–
Available-for-sale investments	10%	–	1,112

(ii) Credit risk

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

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

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

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain concentration of credit risk as 41% (2007: 35%) and 47% (2007: 40%) of total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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

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

(iii) Liquidity risk

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

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

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

The Group

	2008			2007		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Trade and other payables	21,471	21,471	21,471	22,088	22,088	22,088
Bank loans	–	–	–	140,000	143,121	143,121
Bank overdrafts	1,246	1,246	1,246	832	832	832
	22,717	22,717	22,717	162,920	166,041	166,041

The Company

	2008			2007		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Trade and other payables	9,881	9,881	9,881	141,300	141,300	141,300

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of held-for-trading investments with standard terms and conditions and traded on active liquid markets are determined with reference of quoted market bid prices;

– the fair value of investment fund is based on net asset value of the investment fund at the balance sheet date;

– the fair values of debt elements of convertible notes is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs;

– the fair values of embedded derivative is determined in accordance with the basis and assumptions as set out in notes 19 and 20 above; and

– the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of the company's financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values as at 31 December 2007 and 2008 except amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

32 OPERATING LEASE ARRANGEMENT

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

At 31 December 2008, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**15,859**	49,891
After one year but within five years	**60,994**	198,207
Over five years	**93,896**	356,151
	170,749	604,249

32 OPERATING LEASE ARRANGEMENT (CONTINUED)

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

At 31 December 2008, the Group had total future minimum lease rent payables under non-cancellable operating leases falling due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	8,386	862
After one year but within five years	9,024	–
	17,410	862

33 COMMITMENTS AND CONTINGENT LIABILITIES

	Group	
	2008 HK$'000	2007 HK$'000
Capital commitments:		
– contracted but not provided for in the financial statements	–	17,241
– authorised but not contracted for	–	1,425
	–	18,666

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

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

34 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

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

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 14 and certain of the highest paid employees as disclosed in note 15, is as follows:

	2008 HK$'000	2007 HK$'000
Short-term employee benefits	**15,661**	10,040
Post-employment benefits	**25**	26
Equity compensation benefits	**–**	471
	15,686	10,537

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

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

Name of related party	**Nature of transaction**	**2008 HK$'000**	2007 HK$'000
Kingston Corporate Finance Limited *(note 1)*	Financial advisory fee *(note 2)*	**300**	550
Kingston Securities Limited *(note 1)*	Placing commission and related expenses *(note 3)*	**–**	11,040
	Share re-purchases commission and related expenses	**82**	–
	Brokerage fee in respect of dealing in securities *(note 3)*	**181**	865
	Interest expenses *(note 4)*	**–**	1,369
	Interest income *(note 5)*	**328**	519
Mr. Lee Wai Man *(note 6)*	Consultancy fee *(note 2)*	**1,000**	1,000
Dr. Chu Yuet Wah	Staff quarter rental expenses	**897**	168

34 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (CONTINUED)

Notes:

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

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

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

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

5) Interest income was charged at 0.01% to 4.8% per annum.

6) Mr. Lee is the parent of Dr. Chu.

35 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Useful lives of property, plant and equipment

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

Estimated fair value of leasehold properties

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

35 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Impairment loss on leasehold land

Leasehold land is carried in the balance sheet at their cost less accumulated depreciation and impairment loss. The impairment is based on the difference between the carrying amount and the valuation on the leasehold land conducted by an independent firm of qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in change in the carrying amount of the leasehold land of the Group and the impairment recognised in the income statement. During the year, an impairment loss of HK$141,557,000 has been recognised in the income statement.

Impairment loss on trade receivables

Management regularly reviews the recoverability of trade receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the amounts are not recoverable.

In determining whether allowances for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the estimation of the future cash flow expected to receive and a suitable discounted rate in order to calculate the present value.

Impairment loss on available-for-sale investments

In determining whether there is objective evidence of impairment in relation to the Group's available-for-sale investments, the Group takes into consideration of significant or prolonged decline in the fair value below the acquisition costs. During the year, an impairment loss of HK$13,194,000 has been recognised for available-for-sale investments.

Realisation of deferred tax assets

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

Fair value of debt elements and conversion option elements in respect of convertible notes

As described in notes 19 and 20, discounted cash flow analysis and Trinomial option pricing model are selected for valuation of debt elements and conversion option elements of convertible notes respectively. It is based on the significant inputs into calculation included interest rate, risk free rate, terms and conditions of the convertible notes, and initial public offering date.

Valuation of share options granted

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