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 2009

# Contents

# 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

Kirkpatrick & Lockhart Preston Gates Ellis
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
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

## STOCK CODE

1031

## WARRANT CODE

741

## WEBSITE

http://www.goldenresortsgroup.com

# Chairman's Statement

## 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 2009.

For the year ended 31 December 2009, the Group's turnover was approximately HK$414 million, representing a slight decrease of 2% as compared with HK$422 million in last year. The Group experienced turnaround from the double impact of both global economic downturn and H1N1 influenza from the mid of year 2009. Revenue from hotel business reported 8% drop from HK$142 million last year to HK$131 million, whereas revenue from gaming business amounted to HK$283 million, an increase of 1% as compared to HK$280 million in last year.

The Group recorded profit attributable to equity shareholders of the Company amounted to approximately HK$228 million, whereas there was a loss attributable to equity shareholders of the Company of approximately HK$181 million in last year. The profit in year 2009 was arrived at after reversal of impairment loss on prepaid land lease payments of HK$109 million and write back of unrealised profit for investments held for trading of HK$94 million. The basic earnings per share was HK2.8 cents (2008: Loss per share HK2.44 cents).

## DIVIDEND

The Board of the Company do not recommend the payment of final dividend for the year ended 31 December 2009.

## CLOSURE OF REGISTER OF MEMBERS

The book closure dates are from 31 May 2010 to 1 June 2010, both days inclusive. No transfer of shares will be registered during this period. In order to qualify for the entitlement to the attendance and voting at the annual general meeting, all transfers accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 28 May 2010.

## BUSINESS REVIEW

### Hotel Business

The Group's hotel operation, mainly comprised of hotel rooms, food and beverage sale and other rental income, experienced mild drop in year 2009. The corresponding revenue amounted to HK$131 million (2008: HK$142 million). Hotel business contributed 32% (2008: 34%) of total turnover. At the beginning of year 2009, the hotel business continued to be adversely affected by a number of factors, including economic downturn, threat of H1N1 influenza and oversupply of hotel rooms in Macau. The average stay over period dropped as well. Facing the challenging environment, the Group continued to invest in renovation work on hotel guest rooms. Coupled with the strengthened consumers' confidence from global tourists, there are clear signs showing improvement in the profitability in the hotel operation from second half of year 2009.

### Gaming Business

Casino revenue, including gaming revenue and food and beverage sale in casino amounted to HK$283 million for the year 2009 (2008: HK$280 million). Casino revenue accounted for 68% (2008: 66%) of total turnover. Though the market competition remained intense during the year under review, the Group was successful in stabilising its gaming revenue. To retain quality customers and attract potential customers, the Group strengthened its membership programmes and provided a variety of incentives for members to increase their spending in the casinos as well. Coinciding with the strategy in hotel business, the Group upgraded the facilities of the casinos, leading to a more comfortable environment for the enjoyment by the customers.

During the year, slot halls with full electronic operations commenced operations in both casinos. Through effective management of membership programmes and launch of promotion activities, the slot halls were gaining popularity very quickly. It opened up new sources of revenue for the Group.

### Trading of listed securities

Revenue generated from trading of listed securities decreased by HK$12 million from HK$17 million in 2008 to HK$5 million in 2009. The Group is positive towards the future of the equity market, thus holding the trading securities in view of further profit. As at the end of reporting period, the Group was holding trading securities of approximately HK$153 million.

### Future Business Prospects and Plans

Though there are signs of recovery from the trough of business environment, both hotel and gaming revenue were behind the peak prior to the global economic downturn starting in year 2008. Meanwhile, the Group managed to maintain its service levels and retain its human resources. Given its enhanced infrastructure, clear market positioning as well as strong management teams, the Group is confident to capture the future business growth ahead.

In year 2010, floor by floor renovation work in the guest rooms of hotel Casa Real Hotel and Grandview Hotel will be carried out as scheduled. It is expected to bring the average room rate to a higher level.

The Group is continuously pursuing various marketing and promotion activities through the comprehensive membership programmes. Guests can enjoy quality services within the Group's properties with the use of our casino package. The Group will also further strengthen the business relationship with travel agencies and offer packages and joint promotions with business partners to open up a wider customer spread, in particular from newer markets such as South East Asian countries.

## EMPLOYEES

As at 31 December 2009, the Group employed a total of approximately 670 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 2009, the Group did not have any asset being 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 2009.

By Order of the Board

**CHU, Nicholas Yuk-yui**
*Chairman*

Hong Kong, 20 April 2010

# Report of the Directors

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 2009.

## 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 2009 are set out in the consolidated income statement on page 22. The Board do not recommend the payment of final dividend for the year ended 31 December 2009 (2008: HK$0.01). No interim dividend was declared during both year 2009 and year 2008.

## SEGMENTAL INFORMATION

An analysis of the Group's performance for the year ended 31 December 2009 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 30 to the financial statements and in the consolidated statement of changes in equity on page 27 respectively.

## DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2009 are set out in note 30 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$507,000.

## 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 2009, the Group had total borrowings amounted to approximately HK$597,000. 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, no gearing ratio is presented.

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

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2009 the shareholders' fund and net current assets of the Group amounted to approximately HK$3,201 million and HK$914 million respectively. On the same date, the Group had cash and bank balance of HK$652 million and the current ratio was 21.4 (2008: 14.5).

## CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2009.

## CAPITAL STRUCTURE

(i) On 8 June 2009, the Company entered into an agreement to issue and allot a total of 1,477,000,000 shares of the Company under the then current general mandate to independent placees pursuant to top-up placing. The aggregate net proceeds from the placing amounted to approximately HK$266 million, which will be used as general working capital for the Group. The placing was completed on 23 June 2009.

(ii) During the year ended 31 December 2009, certain employees exercised their options to subscribe for 1,500,000 new shares of the Company.

(iii) During year ended 31 December 2009, certain registered holder of warrants of the Company subscribed for 2,943,133 new shares of the Company.

## GRANT OF SHARE OPTIONS

(i) On 3 June 2009, the Company granted 165,975,545 share options to an executive director, certain employees and consultants to subscribe for shares of the Company under the share options scheme adopted on 7 June 2004 (the "Scheme") at the exercise price of HK$0.156 per share.

(ii) On 11 August 2009, the Company granted 443,166,190 share options to consultants to subscribe for shares of the Company under the Scheme at the exercise price of HK$0.215 per share.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were approximately 74% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 68% 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:

| | **2009** | 2008 | 2007 (restated) | 2006 (restated) | 2005 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Turnover | | | | | |
| Continuing operation | **413,739** | 421,748 | 474,135 | 442,516 | 253,806 |
| Discontinued operation | **–** | – | – | 64,349 | 128,024 |
| | **413,739** | 421,748 | 474,135 | 506,865 | 381,830 |
| Profit/(loss) for the year | | | | | |
| Continuing operation | **230,016** | (179,910) | 139,964 | 121,669 | (290,172) |
| Discontinued operation | **–** | – | – | (1,199) | (2,582) |
| | **230,016** | (179,910) | 139,964 | 120,470 | (292,754) |
| Profit/(loss) attributable to owners | **228,244** | (180,816) | 138,438 | 120,334 | (292,754) |
| Total assets | **3,248,241** | 2,859,876 | 3,435,006 | 2,951,865 | 3,015,620 |
| Total liabilities | **(44,815)** | (34,915) | (174,045) | (351,998) | (601,891) |
| Non-controlling interest | **(2,540)** | (2,568) | (5,662) | (10,136) | – |
| Shareholders' fund | **3,200,886** | 2,822,393 | 3,255,299 | 2,589,731 | 2,413,729 |

*Note:*

*Proceeds from sale of trading securities had been included in Turnover of Continuing operation for the year ended 31 December 2007 and before. For the year ended 31 December 2009 and 2008, gross sales proceeds arising from the sale of trading securities are not presented as Revenue. The comparative figures for the year 2006 and 2007 were restated 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 27 and 29 to the financial statements respectively.

## SHARE OPTION SCHEMES

Details of the share option schemes are set out in note 27 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

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

Dr. Wong Yun Kuen
Mr. Lau Man Tak
Mr. Yu Peter Pak Yan

In accordance with the bye-law 87(1), Dr. Chu Yuet Wah and Dr. Wong Yun Kuen will retire by rotation at the forthcoming annual general meeting.

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

The Company has received from each of Dr. Wong Yun Kuen, Mr. Lau Man Tak 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 57, holds a Bachelor's degree in Accounting and a Master of Business Administration from the Louisiana State University. He has over 27 years of experience in commercial property leasing and management, and more than a total of 17 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.

### The Chief Executive Officer and Executive Directors

**Dr. Chu Yuet Wah**, aged 51, 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, Director of The Association of Hong Kong Members of Guangdong's Chinese People's Political Consultative Conference Committees Limited, Vice Chairman of The Chamber of Hong Kong Listed Companies, Vice Chairman of Hong Kong Securities Institute, Vice Chairman 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, Honorary Senior President of Hong Kong Southern District Women's Association, 10th World Outstanding Chinese, Honorary President of The General Association for the Promotion of Cross-strait Peaceful Development of Hong Kong and Committee Adviser of Hong Kong Associate for the Promotion of Peaceful Reunification of China. 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 40, is an Executive Director of the Company. He is also directors of various subsidiaries of the Group. Mr. Wong is 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 of Hong Kong Limited. 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. Mr. Wong is currently an executive director of Climax International Company Limited (Stock Code: 439) and the Chairman and an executive director of Hua Yi Copper Holdings Limited (Stock Code: 559). He has been involved in management, business development, strategic investment and investor relations in these companies. Mr. Wong joined the Group in February 2005.

### Independent Non-executive Directors

**Dr. Wong Yun Kuen**, aged 52, 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 many 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), the chairman and executive director of Green Energy Group Limited (Stock code: 979), and the independent non-executive director of Bauhaus International (Holdings) Limited (Stock code: 483), China E-Learning Group Limited (Stock code: 8055), China Grand Forestry Green Resources Group Limited (Stock code: 910), Climax International Company Limited (Stock code: 439), Harmony Asset Limited (Stock code: 428), Hua Yi Copper Holdings Limited (Stock code: 559), Kaisun Energy Group Limited (Stock code: 8203), Kong Sun Holdings Limited (Stock code: 295), Superb Summit International Timber Company Limited (Stock code: 1228), China Yunnan Tin Minerals Group Company Limited (Stock code: 263) and ZMAY Holdings Limited (Stock code: 8085). Dr. Wong was also an independent non-executive director of Grand Field Group Holdings Limited (Stock code: 115) from September 2004 to September 2009. He joined the Group in June 2005.

**Mr. Lau Man Tak**, aged 40, holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has 17 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 Independent Non-executive Director of Climax International Company Limited (Stock code: 439) and Kong Sun Holdings Limited (stock code: 295). He was also a former Executive Director of Solartech International Holdings Limited (Stock code: 1166) from January 2002 to March 2007, Hua Yi Copper Holdings Limited (Stock code: 559) from September 2004 to March 2007 and Wardley International Holdings Limited (Stock code: 607) from December 2007 to January 2010. He joined the Group in October 2005.

**Mr. Yu Peter Pak Yan**, aged 59, 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, USA and a Master of Science Degree in Financial Services from American College in Pennsyvania, USA. 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). He joined the Group in September 2008.

## 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 35 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 2009, 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 | Number of shares of the Company Corporate Interests | No. of underlying shares of the Company | Total | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Dr. Chu Yuet Wah | – | 3,164,910,655 *(Note 1)* | 629,629,136 *(Note 2)* | 3,794,539,791 | 42.79% |
| Mr. Chu, Nicholas Yuk-yui | – | 3,164,910,655 *(Note 1)* | 629,629,136 *(Note 2)* | 3,794,539,791 | 42.79% |
| Mr. Wong Hin Shek | – | – | 10,000,000 *(Note 3)* | 10,000,000 | 0.11% |

*Notes:*

*(1) As at 31 December 2009, of the 3,164,910,655 shares, 3,138,343,990 shares are held by Sure Expert Limited and 26,566,665 shares are held by Kingston Capital Limited. Kingston Capital Limited is controlled by Dr. Chu Yuet Wah ("Dr. Chu"). Mr. Chu Nicholas Yuk-yui ("Mr. Chu"), the husband of Dr. Chu, is deemed to be interested in these 3,164,910,655 shares.*

*(2) As at 31 December 2009, Dr. Chu, through Sure Expert Limited held 624,128,798 warrants, Kingston Capital Limited held 5,313,333 warrants and Kingston Securities Limited held 187,005 warrants conferring rights to subscribe for up to approximately HK$220,370,198 in aggregate in cash for 629,629,136 new shares at an adjusted subscription price of HK$0.35 per share. Kingston Securities Limited is controlled by Dr. Chu. Mr. Chu is deemed to be interested in the 629,629,136 underlying shares held by Dr. Chu.*

*(3) As at 31 December 2009, 10,000,000 share options conferring rights to subscribe for 10,000,000 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 2009, 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<br>Personal Interests | <br>Corporate Interests | No. of underlying shares of the Company | Total | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Sure Expert Limited *(Note 1)* | – | 3,138,343,990 | 624,128,798 | 3,762,472,788 | 42.43% |
| Choose Right Limited | – | 676,250,000 | 135,250,000 | 811,500,000 | 9.15% |

*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 2009.

## 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 a self managed VIP Room 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 2009, to the best knowledge of the Board, none of the Directors or their respective associates was interested in any business which competes or is likely to compete with the business of the Group.

## CONNECTED TRANSACTION

Details of the connected transactions entered into by the Company are set out in note 35 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 2010

# Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2009.

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 have 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 above-mentioned officers.

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

### 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:*

Dr. Wong Yun Kuen *(Member of Audit Committee & Member of Remuneration Committee)*
Mr. Lau Man Tak *(Chairman 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 2009, 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 following annual general meeting ("AGM") and shall then be eligible for re-election at that meeting.

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

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 2009, 6 Board meetings were held. The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2009 is set out below:

| | Attendance/Number of Meetings | | |
|---|---|---|---|
| **Name of Directors** | **Board** | **Audit Committee** | **Remuneration Committee** |
| Mr. Chu, Nicholas Yuk-yui | 6/6 | Not applicable | Not applicable |
| Dr. Chu Yuet Wah | 6/6 | Not applicable | Not applicable |
| Mr. Wong Hin Shek | 6/6 | Not applicable | Not applicable |
| Dr. Wong Yun Kuen | 6/6 | 2/2 | 1/1 |
| Mr. Lau Man Tak | 5/6 | 1/2 | 0/1 |
| Mr. Yu Peter Pak Yan | 6/6 | 2/2 | 1/1 |

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 2009 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 management 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 2009 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.

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 2009 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 2009.

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 2009.

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 20 to 21.

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 2009 amounted to HK$500,000 and HK$60,800 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 | 15,800 |
| 2. Others | 45,000 |
| | 60,800 |
| Total | 560,800 |

## 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.

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.

# Independent Auditor's Report

陳浩賢會計師事務所

**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 22 to 88, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Companies 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, in accordance with section 90 of the Bermuda Companies Act 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 2009, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

20 April 2010

# Consolidated Income Statement

For the year ended 31 December 2009

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Revenue | 4 | **413,739** | 421,748 |
| Cost of sales | | **(13,574)** | (15,679) |
| Operating cost | | **(175,838)** | (143,046) |
| Gross profit | | **224,327** | 263,023 |
| Other income | 6 | **7,994** | 11,472 |
| Gain/(loss) from sales of trading securities | | **786** | (37,876) |
| Gain on disposal of available-for-sale investments | | **4,170** | 1,194 |
| Gain on change in fair value of conversion options | | **–** | 2,766 |
| Gain on change in fair value of trading securities | | **93,666** | – |
| Reversal of impairment loss on prepaid land lease payments | | **109,349** | – |
| Administrative expenses | | **(155,624)** | (138,364) |
| Other operating expenses | 9 | **(20,801)** | (12,053) |
| Other losses | 9 | **–** | (234,795) |
| Staff costs | 7 | **(33,850)** | (35,116) |
| Finance costs – interest on bank loans and overdrafts | | **(1)** | (186) |
| Profit/(loss) before taxation | | **230,016** | (179,935) |
| Taxation | 8 | **–** | 25 |
| **Profit/(loss) for the year** | 9 | **230,016** | (179,910) |
| **Attributable to:** | | | |
| Owners of the Company | 10 | **228,244** | (180,816) |
| Non-controlling interest | | **1,772** | 906 |
| | | **230,016** | (179,910) |
| **Earnings/(loss) per share (cents per share)** | 12 | | |
| – Basic | | **2.80** | (2.44) |
| – Diluted | | **2.79** | N/A |

Details of dividend payable to owners of the Company are set out in note 11.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **230,016** | (179,910) |
| Other comprehensive income/(loss) | 13 | | |
| Deficit on revaluation of leasehold buildings | | **(56,211)** | (168,877) |
| Available-for-sale investments: | | | |
| Unrealised gain/(loss) arising from change in fair value | | **1,740** | (11,052) |
| Reclassification adjustments for amounts transferred to profit or loss: | | | |
| Impairment loss (Note 9) | | **–** | 13,194 |
| Gains on disposal | | **(1,372)** | (3,961) |
| Other comprehensive loss for the year, net of tax | | **(55,843)** | (170,696) |
| **Total comprehensive income/(loss) for the year** | | **174,173** | (350,606) |
| **Attributable to:** | | | |
| Owners of the Company | | **172,401** | (351,512) |
| Non-controlling interest | | **1,772** | 906 |
| | | **174,173** | (350,606) |

# Consolidated Statement of Financial Position

As At 31 December 2009

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **1,569,405** | 1,702,472 |
| Prepaid land lease payments | 17 | **710,431** | 625,712 |
| Available-for-sale investments | 19 | **–** | 12,702 |
| Conversion options embedded in convertible notes | 20 | **–** | 7,711 |
| Deferred tax assets | 28 | **5,575** | 5,575 |
| Deposit for hotel renovation | | **4,121** | – |
| | | **2,289,532** | 2,354,172 |
| **Current assets** | | | |
| Inventories | 21 | **2,105** | 2,060 |
| Prepaid land lease payments | 17 | **21,306** | 15,775 |
| Available-for-sale investments | 19 | **4,047** | 2,307 |
| Trading securities | 22 | **152,609** | 38,055 |
| Loan receivables | 23 | **76,751** | – |
| Trade and other receivables | 24 | **50,261** | 43,616 |
| Cash and cash equivalents | 31 | **651,630** | 403,891 |
| | | **958,709** | 505,704 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **44,218** | 33,622 |
| Borrowings – due within one year | 26 | **597** | 1,246 |
| Tax payable | | **–** | 47 |
| | | **44,815** | 34,915 |
| **Net current assets** | | **913,894** | 470,789 |
| **Net assets** | | **3,203,426** | 2,824,961 |

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 29 | **88,678** | 73,863 |
| Reserves | | **3,112,208** | 2,748,530 |
| **Total equity attributable to owners of the Company** | | **3,200,886** | 2,822,393 |
| **Non-controlling interest** | | **2,540** | 2,568 |
| **Total equity** | | **3,203,426** | 2,824,961 |

The financial statements on pages 22 to 88 were approved and authorised for issue by the board of directors on 20 April 2010 and are signed on its behalf by:

**Chu, Nicholas Yuk-yui**
*Director*

**Wong Hin Shek**
*Director*

# Statement of Financial Position

As At 31 December 2009

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 16 | **163** | 602 |
| Investments in subsidiaries | 18 | **2,087,671** | 1,905,459 |
| | | **2,087,834** | 1,906,061 |
| Current assets | | | |
| Deposits and prepayment | 24 | **2,269** | 2,265 |
| Amount due from a subsidiary | 18 | **76,751** | – |
| Cash and cash equivalents | 31 | **62,778** | 25,638 |
| | | **141,798** | 27,903 |
| Current liabilities | | | |
| Other payable and accruals | 25 | **1,835** | 2,408 |
| Net current assets | | **139,963** | 25,495 |
| Net assets | | **2,227,797** | 1,931,556 |
| Capital and reserves | | | |
| Share capital | 29 | **88,678** | 73,863 |
| Reserves | 30 | **2,139,119** | 1,857,693 |
| Total equity | | **2,227,797** | 1,931,556 |

**Chu, Nicholas Yuk-yui**
*Director*

**Wong Hin Shek**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

| | Equity attributable to owners 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$'000 | Share-based payment reserve HK$'000 | Investment revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling 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 |
| Total comprehensive income/(loss) for the year | – | – | – | – | (168,877) | – | (1,819) | – | (180,816) | (351,512) | 906 | (350,606) |
| Realised upon depreciation based on revalued amount of land and building | – | – | – | – | (21,659) | – | – | – | 21,659 | – | – | – |
| 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 | – | – | – |
| Expiry of warrants | – | – | – | – | – | (48,800) | – | – | 48,800 | – | – | – |
| Capital return to non-controlling interest holders of a subsidiary resulting from capital reduction | – | – | – | – | – | – | – | – | – | – | (4,000) | (4,000) |
| Payment of dividends | – | – | – | – | – | – | – | – | (74,000) | (74,000) | – | (74,000) |
| **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 |
| **At 1 January 2009** | **73,863** | **1,650,305** | **274** | **814** | **716,344** | **8,512** | **1,372** | **235** | **370,674** | **2,822,393** | **2,568** | **2,824,961** |
| Total comprehensive income for the year | **-** | **-** | **-** | **-** | **(56,211)** | **-** | **368** | **-** | **228,244** | **172,401** | **1,772** | **174,173** |
| Realised upon depreciation based on revalued amount of land and building | **-** | **-** | **-** | **-** | **(17,564)** | **-** | **-** | **-** | **17,564** | **-** | **-** | **-** |
| Issue of share under share option scheme | **15** | **285** | **-** | **-** | **-** | **(66)** | **-** | **-** | **-** | **234** | **-** | **234** |
| Issue of share by top-up subscription | **14,770** | **250,662** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **265,432** | **-** | **265,432** |
| Issue of share by warrant subscription | **30** | **1,001** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,031** | **-** | **1,031** |
| Share-based payments | **-** | **-** | **-** | **-** | **-** | **13,258** | **-** | **-** | **-** | **13,258** | **-** | **13,258** |
| Expiry of share options | **-** | **-** | **-** | **-** | **-** | **(8,532)** | **-** | **-** | **8,532** | **-** | **-** | **-** |
| Payment of dividends | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(73,863)** | **(73,863)** | **-** | **(73,863)** |
| Payment of dividends to non-controlling interest holders | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,800)** | **(1,800)** |
| **At 31 December 2009** | **88,678** | **1,902,253** | **274** | **814** | **642,569** | **13,172** | **1,740** | **235** | **551,151** | **3,200,886** | **2,540** | **3,203,426** |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2009

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(loss) for the year | | **230,016** | (179,910) |
| Adjustments for: | | | |
| Income tax recognised in profit or loss | | **–** | (25) |
| Finance costs | | **1** | 186 |
| Interest income | 6 | **(5,628)** | (8,004) |
| Dividend income | 6 | **(1,412)** | (1,856) |
| (Gain)/loss on disposal of investment at fair value | | **(786)** | 37,876 |
| Gain on disposal of available–for–sale investments | | **(4,170)** | (1,194) |
| Gain on change in fair value of conversion options | | **–** | (2,766) |
| Depreciation of property, plant and equipment | | **89,571** | 86,910 |
| Amortisation of prepaid land lease payments | | **19,099** | 19,279 |
| Impairment loss on property, plant and equipment | | **–** | 4,058 |
| Write off of property, plant and equipment | | **17,306** | – |
| Impairment losses on trade and other receivables | | **3,495** | 7,995 |
| Unrealised exchange loss | | **–** | 143 |
| Unrealised (profit)/loss on trading securities | | **(93,666)** | 79,953 |
| Impairment loss on available–for–sale investments | | **–** | 13,194 |
| Impairment loss on prepaid land lease payments | | **–** | 141,557 |
| Revaluation deficit on leasehold building | | **–** | 91 |
| Reversal of impairment loss on prepaid land lease payments | | **(109,349)** | – |
| Equity–settled share–based payment expenses | 27 | **13,258** | 107 |
| Operating profit before changes in working capital | | **157,735** | 197,594 |
| (Increase)/decrease in inventories | | **(45)** | 437 |
| (Increase)/decrease in trade and other receivables | | **(10,721)** | 10,322 |
| Increase/(decrease) in trade and other payables | | **10,596** | (1,519) |
| Cash from operations | | **157,565** | 206,834 |
| Hong Kong profits tax paid | | **(47)** | – |
| Net cash from operating activities | | **157,518** | 206,834 |

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment | | (30,021) | (43,435) |
| Payment for deposit for hotel renovation | | (4,121) | – |
| Payment for the acquisition of interests in leasehold land | | – | (1,404) |
| Payment for the purchase of: | | | |
| – trading securities | | (17,769) | (157,586) |
| – convertible notes | | – | (16,380) |
| Net proceeds from sales of: | | | |
| – trading securities | | 5,226 | 16,963 |
| – available-for-sale investments | | 15,652 | 8,351 |
| Advancement for loan receivables | | (76,751) | – |
| Interest received | | 6,209 | 6,225 |
| Dividend received | | 1,412 | 1,856 |
| Net cash used in investing activities | | (100,163) | (185,410) |
| **Financing activities** | | | |
| Issue of shares | | 265,432 | – |
| Issue of shares under share option scheme | | 234 | – |
| Issue of shares pursuant to exercise of warrants | | 1,031 | 1 |
| Share repurchase | | – | (7,502) |
| Capital return to non-controlling interest holders of a subsidiary | | – | (2,000) |
| Repayment of bank loans | | – | (140,000) |
| Interest paid | | (1) | (186) |
| Dividend paid | | (73,863) | (74,000) |
| Dividend paid to non-controlling interest holders of a subsidiary | | (1,800) | – |
| Net cash from/(used in) financing activities | | 191,033 | (223,687) |
| Net increase/(decrease) in cash and cash equivalents | | 248,388 | (202,263) |
| Cash and cash equivalents at 1 January | | 402,645 | 604,908 |
| Cash and cash equivalents at 31 December | 31 | 651,033 | 402,645 |

# Notes to the Financial Statements

## 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.

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 37.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries and non-controlling interests

Subsidiaries 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 non-controlling 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.

Non-controlling 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. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interest in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest holder has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's statement of financial position, 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 end of the reporting period.

Changes arising on the revaluation of leasehold buildings held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the leasehold building revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

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 statement of financial position 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 to the income statement.

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. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h).

### (e) Inventories

Inventories comprise 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 to the sales.

### (f) Financial instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's statements of financial position 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

– if 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 the end of the reporting period 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 the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised is reclassified from equity to 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 the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, loan 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 the end of the reporting period. 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 carried at cost 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 amount 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 in investment revaluation reserve is reclassified from equity to 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 in other comprehensive income.

## 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 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 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(l) 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 is recognised in profit or loss and the cumulative gain or loss is reclassified from equity to profit or loss.

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 statement of cash flows.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of the reporting period 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 end of the reporting period.

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*

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. Details regarding the share-based payments are set out in note 2(j).

#### *(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) 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. Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Detail regarding the determination of the fair value of share-based payments are set out in note 27.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Share-based payments (continued)

For share options granted under the Scheme, the fair value of the services rendered in exchange for the grant of the options is recognised as an expense and credited to a 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 the end of the reporting period, 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 share-based compensation reserve over the remaining vesting period.

At the time when the share options are exercised, the amount previously recognised in the share-based payment reserve will be transferred to share premium. The proceeds received net of any direct attributable transaction costs are credited to share capital (nominal value) and share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the share-based payment reserve will be released directly to retained earnings.

### (k) 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 end of the reporting period.

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 the end of the reporting period 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)

### (l) 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.

### (m) 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) Gaming revenue*

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)

### (n) 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(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)

### (o) 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.

### (p) 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.

### (q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

## 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 2009.

| | |
|---|---|
| HKFRSs (Amendments) | Improvement to HKFRSs 2008, except for amendment to HKFRS 5 |
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 and HKAS 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendments) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) – Int 9 and HKAS 39 (Amendment) | Embedded Derivatives |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) – Int 15 | Agreements for Construction of Real Estate |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HK(IFRIC) – Int 18 | Transfer of Assets from Customers |

The Group has applied the disclosures requirements under HKAS 1 (Revised) "Presentation of Financial Statements", HKFRS 7 (Amendments) "Improving Disclosures about Financial Instruments" and HKFRS 8 "Operating Segments", respectively.

Under HKAS 1(Revised), the "Balance Sheet" is renamed as the "Statement of Financial Position" and the "Cash Flow Statement" is renamed as the "Statement of Cash Flows". All income and expenses arising from transactions with non-owner (i.e., the non-owner changes in equity) are presented under the "Statement of Comprehensive Income", while the owner changes in equity are presented in the "Statement of Changes in Equity".

The amendments to HKFRS 7 expand disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. This has resulted in an increase in the number of reportable segments presented, as the previously holding and operating of hotels segment has been split into hotel ownership and management, food and beverage, and casino segments. Comparatives for 2008 have been restated.

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

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

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKAS 24 (Revised) | Related Party Disclosures[5] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[1] |
| HKAS 32 (Amendment) | Classification of Right Issues[4] |
| HKAS 39 (Amendments) | Eligible Hedged Items[1] |
| HKFRS 1 (Revised) | First-time Adoption of HKFRS[1] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6] |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions[3] |
| HKFRS 3 (Revised) | Business Combinations[1] |
| HKFRS 9 | Financial Instruments[7] |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[5] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners[1] |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments[6] |

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group's financial assets.

In addition, as part of Improvement to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid land lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 4 REVENUE

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

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Operating of hotels | | |
| – room rental | **92,724** | 103,133 |
| – food and beverage sale | **36,611** | 36,772 |
| – gaming revenue | **279,829** | 277,065 |
| – other rental income | **4,575** | 4,778 |
| | **413,739** | 421,748 |

## 5 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reporting operating segments as follows:

(a) Hotel ownership and management segment is the operation of hotels and provision of hotel management services.
(b) Food and beverage segment is the operation of restaurants in hotels.
(c) Casino segment is the operation of casino in hotels.
(d) Securities investment segment is the trading of listed securities.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (EBITDA). Interest income and expenditure are not included in the result of each operating segment that is reviewed by the management. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the financial statements.

Revenue between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external customers reported to the management is measured in a manner consistent with that in the income statement.

## 5 SEGMENTAL INFORMATION (continued)

### *Operating segments*

The following tables represent segment information of the Group provided to the Group's management for the years ended 31 December 2009 and 2008.

**For the year ended 31 December 2009**

| | Hotel ownership and management HK$'000 | Food and beverage HK$'000 | Casino HK$'000 | Securities Investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Segment Revenue** | | | | | |
| External customers | 97,299 | 33,555 | 282,885 | 5,245 | 418,984 |
| Inter-segment | 26,400 | – | 15,962 | – | 42,362 |
| | 123,699 | 33,555 | 298,847 | 5,245 | 461,346 |
| **Adjusted EBITDA** | 71,912 | (3,823) | 115,369 | 99,533 | 282,991 |
| Interest income | 4 | – | 3,048 | 597 | 3,649 |
| Depreciation | (59,407) | (21,263) | (5,869) | – | (86,539) |
| Amortisation | (13,335) | (4,616) | (1,148) | – | (19,099) |
| Unrealised gain on trading securities | – | – | – | 93,666 | 93,666 |
| Impairment losses for trade and other receivables | (3,495) | – | – | – | (3,495) |
| Write-off of property, plant and equipment | – | – | (17,306) | – | (17,306) |
| Reversal of impairment loss on prepaid land lease payments | 72,993 | 28,896 | 7,460 | – | 109,349 |
| Finance costs | (1) | – | – | – | (1) |
| **Segment Assets** | 1,610,505 | 558,293 | 746,528 | 155,649 | 3,070,975 |
| Capital expenditure | 27,469 | – | 2,522 | – | 29,991 |
| **Segment Liabilities** | 10,532 | 13,922 | 14,027 | 7 | 38,488 |

## 5 SEGMENTAL INFORMATION (continued)

### *Operating segments* (continued)

For the year ended 31 December 2008

| | Hotel ownership and management HK$'000 | Food and beverage HK$'000 | Casino HK$'000 | Securities Investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Segment Revenue | | | | | |
| External customers | 107,911 | 33,835 | 280,002 | 17,025 | 438,773 |
| Inter-segment | 24,000 | – | – | – | 24,000 |
| | 131,911 | 33,835 | 280,002 | 17,025 | 462,773 |
| Adjusted EBITDA | 77,746 | (4,355) | 148,488 | (112,525) | 109,354 |
| Interest income | 60 | – | 4,795 | 658 | 5,513 |
| Depreciation | (46,122) | (14,029) | (25,169) | – | (85,320) |
| Amortisation | (10,517) | (3,055) | (5,707) | – | (19,279) |
| Unrealised loss on trading securities | – | – | – | (79,953) | (79,953) |
| Impairment losses for trade and other receivables | (7,995) | – | – | – | (7,995) |
| Impairment losses on property, plant and equipment | (4,058) | – | – | – | (4,058) |
| Impairment loss on prepaid land lease payments | (76,892) | (22,829) | (41,836) | – | (141,557) |
| Finance costs | (186) | – | – | – | (186) |
| Segment Assets | 1,282,218 | 380,504 | 1,034,030 | 80,256 | 2,777,008 |
| Capital expenditure | 24,191 | – | 13,582 | – | 37,773 |
| Segment Liabilities | 8,803 | 10,935 | 9,317 | 47 | 29,102 |

## 5 SEGMENTAL INFORMATION (continued)

***Reconciliations of segment revenues, adjusted EBITDA, assets and liabilities***

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **Segment revenue** | **461,346** | 462,773 |
| Elimination of inter-segment revenue | **(42,362)** | (24,000) |
| Elimination of revenue of securities investment | **(5,245)** | (17,025) |
| **Consolidated revenue** | **413,739** | 421,748 |
| **Adjusted EBITDA** | **282,991** | 109,354 |
| Other income | **954** | 2,001 |
| Interest income | **5,628** | 8,004 |
| Corporate overhead | **(26,176)** | (25,917) |
| Depreciation | **(89,571)** | (86,910) |
| Amortisation | **(19,099)** | (19,279) |
| Expenses in relation to the grant of share option | **(13,258)** | (107) |
| Impairment losses for trade and other receivables | **(3,495)** | (7,995) |
| Impairment loss on property, plant and equipment | **–** | (4,058) |
| Write off of property, plant and equipment | **(17,306)** | - |
| Reversal of impairment loss/(impairment loss) on prepaid land lease payments | **109,349** | (141,557) |
| Revaluation deficit on leasehold buildings | **–** | (91) |
| Impairment loss on available-for-sale investments | **–** | (13,194) |
| Finance costs | **(1)** | (186) |
| **Profit/(loss) before taxation** | **230,016** | (179,935) |
| **Segment assets** | **3,070,975** | 2,777,008 |
| Deferred tax assets | **5,575** | 5,575 |
| Loan receivables | **76,751** | - |
| Available-for-sale investments | **4,047** | 15,009 |
| Embedded derivatives | **–** | 7,711 |
| Unallocated corporate assets | **90,893** | 54,573 |
| **Total assets** | **3,248,241** | 2,859,876 |
| **Segment liabilities** | **38,488** | 29,102 |
| Unallocated corporate liabilities | **6,327** | 5,813 |
| **Total liabilities** | **44,815** | 34,915 |

## 5 SEGMENTAL INFORMATION (continued)

***Reconciliations of segment revenues, adjusted EBITDA, assets and liabilities*** (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than deferred tax assets, conversion options embedded in convertible notes, loan receivables, available-for-sales investments and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than the liabilities for which reportable segments are jointly liable.

***Geographical segment information***

The Group's operations and non-current assets other than financial instruments and deferred tax assets are mainly located in Macau of The People's Republic of China ("PRC"). The Group's revenue from external customers are derived mainly from the market in Macau.

***Information about major customers***

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sociedade De Jogos De Macau, S.A. (note) | **279,976** | 265,852 |

Note: Revenue from casino

## 6 OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income | **5,628** | 8,004 |
| Dividend income | **1,412** | 1,856 |
| Sundry income | **954** | 1,612 |
| | **7,994** | 11,472 |

## 7 STAFF COSTS

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Staff costs (including directors' remuneration) | | |
| – salaries, wages and other benefits | **33,031** | 34,796 |
| – contributions to defined contribution retirement plan | **208** | 213 |
| – equity-settled share-based payment expenses in relation to the grant of share options | **611** | 107 |
| Amount shown as staff costs in the consolidated income statement | **33,850** | 35,116 |
| Staff costs included in operating costs in the consolidated income statement | **54,454** | 54,901 |
| Total staff costs | **88,304** | 90,017 |

## 8 TAXATION

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Current tax | | |
| – Hong Kong profits tax | **–** | – |
| Overprovided in prior year | | |
| – Hong Kong profits tax | **–** | (25) |
| Deferred tax (note 28) | | |
| – Current year | **–** | – |
| | **–** | (25) |

(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 (2008: nil).

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau has no assessable profit for the year (2008: nil).

## 8 TAXATION (continued)

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Profit/(loss) before taxation | **230,016** | (179,935) |
| Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions (note) | **30,647** | (21,705) |
| Tax effect of non-deductible expenses | **10,231** | 25,530 |
| Tax effect of non-taxable income | **(35,163)** | (31,584) |
| Reversal of deferred tax not recognised | **(16,052)** | – |
| Deferred tax assets not recognised | **10,337** | 27,759 |
| Overprovided in prior year | **–** | (25) |
| Taxation for the year | **–** | (25) |

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

## 9 PROFIT/(LOSS) FOR THE YEAR

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Cost of inventories sold | **13,574** | 15,679 |
| Auditors' remuneration | | |
| – audit services | **500** | 500 |
| – tax services | **16** | 8 |
| – other services | **45** | 46 |
| Amortisation of prepaid land lease payments | **19,099** | 19,279 |
| Depreciation | | |
| – owned assets | **89,571** | 86,910 |
| Operating lease charges for hire of properties | | |
| – minimum lease payments | **7,919** | 6,859 |
| Other operating expenses | **20,801** | 12,053 |
| – impairment losses for property, plant and equipment | **–** | 4,058 |
| – impairment losses for trade and other receivables | **3,495** | 7,995 |
| – write-off of property, plant and equipment | **17,306** | – |
| Other losses | **–** | 234,795 |
| – impairment loss on available-for-sale investments | **–** | 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 |
| Net exchange differences | **(1,593)** | (2,702) |

## 10 PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company includes a profit of HK$90,149,000 (2008: HK$75,871,000) which has been dealt with in the financial statements of the Company.

## 11 DIVIDEND

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Final, paid – HK1 cent (2008: HK1 cent) per share | **73,863** | 74,000 |

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2009.

## 12 EARNINGS/(LOSS) PER SHARE

| | 2009<br>HK cent | 2008<br>HK cent |
|---|---|---|
| **Basic earnings/(loss) per share** | **2.80** | (2.44) |
| **Diluted earnings/(loss) per share** | **2.79** | N/A |

### (a) Basic earnings/(loss) per share

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **Profit/(loss) for the purpose of basic earnings/(loss) per share** | **228,244** | (180,816) |

| | 2009 | 2008 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share | **8,159,354,247** | 7,395,435,550 |

## 12 EARNINGS/(LOSS) PER SHARE (continued)

### (b) Diluted profit/(loss) per share

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

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

| | **2009** | 2008 |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share | **8,159,354,247** | 7,395,435,550 |
| Shares deemed to be issued for no consideration in respect of: | | |
| – Share options | **23,261,659** | – |
| – Warrants | **–** | – |
| | **8,182,615,906** | 7,395,435,550 |

No diluted loss per share was presented for the 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.

## 13 OTHER COMPREHENSIVE INCOME/(LOSS)

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Before tax HK$'000** | **Tax HK$'000** | **After tax HK$'000** | Before tax HK$'000 | Tax HK$'000 | After tax HK$'000 |
| Deficit on revaluation of leasehold buildings | **(56,211)** | **–** | **(56,211)** | (168,877) | – | (168,877) |
| Available-for-sale investments | | | | | | |
| Unrealised gain/(loss) arising from change in fair value | **1,740** | **–** | **1,740** | (11,052) | – | (11,052) |
| Reclassification adjustments for amounts transferred to profit or loss: | | | | | | |
| – Impairment loss | **–** | **–** | **–** | 13,194 | – | 13,194 |
| – Gains on disposal | **(1,372)** | **–** | **(1,372)** | (3,961) | – | (3,961) |
| Net movement in the investment revaluation reserve | **368** | **–** | **368** | (1,819) | – | (1,819) |
| Other comprehensive loss | **(55,843)** | **–** | **(55,843)** | (170,696) | – | (170,696) |

## 14 DIRECTORS' REMUNERATION

An analysis of remuneration paid and payable to directors of the Company for the years ended 31 December 2009 and 2008 is set as follows:

| | Directors' fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonus payment HK$'000 | Share-based payments HK$'000 | Retirement scheme contribution HK$'000 | 2009 Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Dr. Chu Yuet Wah | – | 6,500 | 5,000 | – | 12 | 11,512 |
| Mr. Wong Hin Shek | – | 1,720 | – | 438 | 12 | 2,170 |
| **Non-executive director** | | | | | | |
| Mr. Chu Nicholas Yuk-yui | 650 | – | – | – | – | 650 |
| **Independent non-executive directors** | | | | | | |
| Dr. Wong Yun Kuen | 60 | – | – | – | – | 60 |
| Mr. Lau Man Tak | 60 | – | – | – | – | 60 |
| Mr. Yu Peter Pak Yan | 60 | – | – | – | – | 60 |
| | 830 | 8,220 | 5,000 | 438 | 24 | 14,512 |

| | Directors' fee HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonus payment HK$'000 | Share-based payments HK$'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 directors** | | | | | | |
| 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)

The discretionary bonus payment was 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 2008 and 2009.

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 2008 and 2009.

## 15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: 3) are directors whose emoluments are disclosed in note 14. The emoluments in respect of the remaining two (2008: 2) highest paid individuals are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other emoluments | **1,732** | 1,592 |
| Retirement scheme contributions | **12** | 1 |
| Share-based payments | **61** | – |
| | **1,805** | 1,593 |

Their emoluments were all within bands from HK$nil to HK$1,000,000. No emoluments were paid or payable to the above highest paid individual to join the Group or as compensation for loss of office during the year ended 31 December 2009. For the 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 HK$'000 | Leasehold improvement furniture, fixture and equipment HK$'000 | Motor vehicles HK$'000 | Yacht HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| 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 |
| At 1 January 2009 | **1,523,916** | **325,588** | **6,575** | **25,618** | **1,881,697** |
| Additions | **–** | **29,626** | **395** | **–** | **30,021** |
| Write-off | **–** | **(78,639)** | **(1,600)** | **–** | **(80,239)** |
| Adjustment on revaluation | **(93,385)** | **–** | **–** | **–** | **(93,385)** |
| At 31 December 2009 | **1,430,531** | **276,575** | **5,370** | **25,618** | **1,738,094** |
| Representing: | | | | | |
| Cost | **–** | **276,575** | **5,370** | **25,618** | **307,563** |
| At 2009 valuation | **1,430,531** | **–** | **–** | **–** | **1,430,531** |
| | **1,430,531** | **276,575** | **5,370** | **25,618** | **1,738,094** |

## 16 PROPERTY, PLANT AND EQUIPMENT (continued)

| The Group (continued) | Leasehold building held for own use HK$'000 | Leasehold improvement furniture, fixture and equipment HK$'000 | Motor vehicles HK$'000 | Yacht HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| 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 |
| At 1 January 2009 | **–** | **173,699** | **4,672** | **854** | **179,225** |
| Charge for the year | **37,174** | **48, 690** | **1,145** | **2,562** | **89,571** |
| Eliminated on write-off | **–** | **(61,333)** | **(1,600)** | **–** | **(62,933)** |
| Adjustment on revaluation | **(37,174)** | **–** | **–** | **–** | **(37,174)** |
| At 31 December 2009 | **–** | **161,056** | **4,217** | **3,416** | **168,689** |
| Net book value | | | | | |
| At 31 December 2009 | **1,430,531** | **115,519** | **1,153** | **22,202** | **1,569,405** |
| At 31 December 2008 | 1,523,916 | 151,889 | 1,903 | 24,764 | 1,702,472 |

(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 2009. The valuation was arrived by adopting the income approach for hotel properties and by direct approach for other properties by making reference to comparable sales transactions as available in the market.

(c) As at 31 December 2009, total amount of revaluation deficit of HK$56,211,000 has been recognised in other comprehensive income and accumulated in the leasehold building revaluation reserve of the Group. As at 31 December 2008, the total amount of revaluation deficit was HK$168,968,000. HK$168,877,000 had been recognised in other comprehensive income and accumulated in the leasehold building revaluation reserve of the Group and the balance was recognised in the consolidated income statement.

(d) Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been HK$787,960,000 (2008: HK$807,662,000).

(e) During the year ended 31 December 2008, 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 2008, 31 December 2008 and 1 January 2009 | 2,431 | 1,041 | 3,472 |
| Additions | 31 | – | 31 |
| At 31 December 2009 | 2,462 | 1,041 | 3,503 |
| Accumulated depreciation | | | |
| 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 |
| At 1 January 2009 | 1,957 | 913 | 2,870 |
| Charge for the year | 342 | 128 | 470 |
| At 31 December 2009 | 2,299 | 1,041 | 3,340 |
| Net book value | | | |
| At 31 December 2009 | 163 | – | 163 |
| At 31 December 2008 | 474 | 128 | 602 |

## 17 PREPAID LAND LEASE PAYMENTS

| | The Group HK$'000 |
|---|---|
| Cost | |
| At 1 January 2008 | 850,704 |
| Additions | 1,404 |
| At 31 December 2008, 1 January 2009 and 31 December 2009 | 852,108 |
| Accumulated amortisation | |
| At 1 January 2008 | 49,785 |
| Provided for the year | 19,279 |
| Impairment loss | 141,557 |
| At 31 December 2008 and 1 January 2009 | 210,621 |
| Provided for the year | 19,099 |
| Reversal of impairment loss | (109,349) |
| At 31 December 2009 | 120,371 |
| Net book value | |
| At 31 December 2009 | 731,737 |
| At 31 December 2008 | 641,487 |

At 31 December 2009, the land lease of the Group are situated in the Macau and are held under medium term leases.

During the year ended 31 December 2009, the group assessed the recoverable amount of land lease. Based on this assessment, the carrying amount of the land lease was increased by HK$109,349,000 (2008: decreased by HK$141,557,000) and 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:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Current asset | **21,306** | 15,775 |
| Non-current asset | **710,431** | 625,712 |
| | **731,737** | 641,487 |

## 18 INVESTMENTS IN SUBSIDIARIES

| | The Company 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **–** | – |
| Amounts due from subsidiaries | **2,298,648** | 2,029,700 |
| Amounts due to subsidiaries | **(134,226)** | (8,422) |
| Less: impairment loss | **–** | (115,819) |
| | **2,164,422** | 1,905,459 |
| Amount receivable within one year | **(76,751)** | – |
| | **2,087,671** | 1,905,459 |

Amount receivable within one year is loan of HK$76,751,000 (2008: nil) to a subsidiary which bear interest at 12% per annum and repayable within one year.

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

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

| Name of company | Place of incorporation/ registration and operation | Particulars of registered/ issued and paid up share capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Bebright Limited | British Virgin Islands | US$1 | 100% | 100% | – | Investment holding |
| Futuremind Holdings Limited | British Virgin Islands | US$1 | 100% | – | 100% | Investment holding |
| GR Casa Real Holdings Limited | British Virgin Islands | US$5 | 100% | – | 100% | Investment holding |
| GR Casa Real (HK) Company Limited | Hong Kong | HK$2 | 100% | – | 100% | Operating booking office for Casa Real Hotel |
| GR Casa Real Company Limited | Macau | MOP100,000 | 100% | – | 100% | Operating Casa Real Hotel |
| 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 |
| Target All Investment Limited^ | British Virgin Islands | US$1 | 100% | 100% | – | Operating casino in hotels |
| Good Start Group Limited^ | British Virgin Islands | US$1 | 100% | 100% | – | Operating casino in hotels |
| Brilliant Red Limited# | British Virgin Islands | US$1 | 100% | 100% | – | Investment holding |
| Crystal Sea Group Limited^ | British Virgin Islands | US$1 | 100% | 100% | – | Investment holding and operating Golden Times Club in hotel |
| 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 during the year is as follows:

| | The Company 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Balance at beginning of the reporting period | **115,819** | – |
| Impairment losses (reversed)/recognised | **(115,819)** | 115,819 |
| Balance at end of the reporting period | **–** | 115,819 |

Included in the allowance were individually impaired amount due from subsidiaries which have significant loss for the year ended 31 December 2008. As these subsidiaries have significant profits for the current year, the impairment losses are reversed.

## 19 AVAILABLE-FOR-SALE INVESTMENTS

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Investment funds, at fair value (Note 1) | **4,047** | 2,307 |
| Convertible note, at fair value (Note 2) | **–** | 12,702 |
| | **4,047** | 15,009 |

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 other comprehensive income and accumulated in the investment revaluation reserve.

Analysed for reporting purposes as:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current asset | **4,047** | 2,307 |
| Non-current asset | **–** | 12,702 |
| | **4,047** | 15,009 |

Note 1:

The fair value is based on net asset value of the investment funds at the end of the reporting period. During the year ended 31 December 2009, a surplus arising on change in fair value of approximately HK$1,740,000 for the investment funds was recognised in other comprehensive income and accumulated in investment revaluation reserve.

For the year ended 31 December 2008, a net loss arising on change in fair value of approximately HK$12,424,000 was recognised in other comprehensive income and accumulated in the 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 PRC company subscribed by the Group during the year ended 31 December 2008. For details please refer to the Company's 2008 annual report. On 30 June 2009, the issuer of the convertible notes entered into a sale and purchase agreement with a company listed in Hong Kong (the "Acquirer") to sell the equity interest in a subsidiary of the issuer. This event meets the early redemption condition of the convertible notes. The transaction was completed on 31 July 2009. Upon completion, the Group has received cash of approximately HK$15,652,000 and 3,272,727 ordinary shares in the Acquirer.

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 other comprehensive income and accumulated in the 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 during the year ended 31 December 2008. For details please refer to the Company's 2008 annual report. As explained in note 19, the convertible notes had been early redeemed.

## 21 INVENTORIES

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Food and beverage | **2,105** | 2,060 |

## 22 TRADING SECURITIES

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Equity securities listed in Hong Kong, at market value | **152,609** | 38,055 |

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

## 23 LOAN RECEIVABLES

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Loan receivables | **76,751** | – |

Loan receivables represent advances to an independent third party made during the year. The loan is secured by legal charge on the entire shares in the borrower and entire shareholdings of the borrower in its subsidiaries, and personal guarantees executed by a director of the borrower and a director of another equity owner of a subsidiary of the borrower. The loan bears an interest of 12% per annum and shall be repayable in 9 months from the date of advance. Up to the date of this report, HK$20,000,000 has been repaid in accordance with the agreed repayment schedule.

## 24 TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade receivables | **42,519** | 35,117 | **–** | – |
| Deposits and prepayments | **7,742** | 8,499 | **2,269** | 2,265 |
| | **50,261** | 43,616 | **2,269** | 2,265 |

All of 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| 0-30 days | **29,406** | 28,627 |
| 31-60 days | **12,597** | 5,158 |
| 61-90 days | **967** | 1,237 |
| Over 90 days | **15,554** | 12,605 |
| | **58,524** | 47,627 |
| Allowance for doubtful debt | **(16,005)** | (12,510) |
| | **42,519** | 35,117 |

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 32.

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.

## 24 TRADE AND OTHER RECEIVABLES (continued)

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

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| At 1 January | **12,510** | 4,515 |
| Impairment loss recognised | **3,495** | 7,995 |
| At 31 December | **16,005** | 12,510 |

At 31 December 2009, the Group's trade receivable of HK$16,005,000 (2008: HK$12,510,000) were individually determined to be impaired. The individually impaired receivable related to a debtor who has dispute with the Group and specific allowance for doubtful debts of HK$16,005,000 (2008: HK$12,510,000) 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **29,115** | 28,336 |
| Past due but not impaired: | | |
| Less than 1 month past due | **12,308** | 4,867 |
| 1 to 3 months past due | **874** | 1,233 |
| More than 3 months past due | **222** | 681 |
| | **13,404** | 6,781 |
| | **42,519** | 35,117 |

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.

## 25 TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **13,472** | 10,197 | **–** | – |
| Other payable and accruals | **30,746** | 23,425 | **1,835** | 2,408 |
| | **44,218** | 33,622 | **1,835** | 2,408 |

All of trade and other payables are expected to be settled within one year. Included in other payable and accruals are payables to a director and non-controlling interest holders of a subsidiary amount to HK$5,000,000 (2008: nil) and HK$200,000 (2008: HK$2,200,000) respectively.

The following is an ageing analysis of trade payables at the end of the reporting period:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0-30 days | **8,138** | 6,982 |
| 31-60 days | **3,628** | 3,058 |
| 61-90 days | **1,567** | 94 |
| Over 90 days | **139** | 63 |
| | **13,472** | 10,197 |

## 26 BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Bank overdrafts | **597** | 1,246 | **–** | – |

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

## 27 EMPLOYEE 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.

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

### (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 grant 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.

## 27 EMPLOYEE BENEFITS (continued)

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

Details of the share options outstanding as at 31 December 2009 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 2009 (adjusted) (note 1) | Granted in 2009 | Exercised in 2009 | Lapsed in 2009 (adjusted) (note 1) | Balance at 31 December 2009 |
|---|---|---|---|---|---|---|---|---|
| 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 | – |
| | 3/6/2009 | 3/6/2009 to 2/6/2012 | HK$0.156 | – | 10,000,000 | – | – | 10,000,000 |
| Staff | 28/4/2006 | 1/1/2007 to 31/12/2009 | HK$0.40 | 8,713,000 | – | – | 8,713,000 | – |
| | 3/6/2009 | 3/12/2009 to 2/6/2012 | HK$0.156 | – | 7,500,000 | 1,500,000 | – | 6,000,000 |
| Consultants | 28/4/2006 | 28/4/2006 to 31/12/2009 | HK$0.40 | 60,600,000 | – | – | 60,600,000 | – |
| | 3/6/2009 | 3/6/2009 to 2/6/2012 | HK$0.156 | – | 148,475,545 | – | – | 148,475,545 |
| | 11/8/2009 | 11/8/2009 to 10/8/2012 | HK$0.215 | – | 443,166,190 | – | – | 443,166,190 |
| | | | | 154,913,000 | 609,141,735 | 1,500,000 | 154,913,000 | 607,641,735 |

Note 1: The exercise price, the number of options outstanding as at 1 January 2009 and the number of options lapsed during the year ended 31 December 2009 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 2009 was HK$0.2174.

## 27 EMPLOYEE BENEFITS (continued)

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

The estimated fair value of the options granted on 28 April 2006 was HK$0.2754 per option. 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% |

The estimated fair value of the options granted on 3 June 2009 was HK$0.0437 per option. The fair value was calculated using the Trinomial pricing model. The inputs into the model were as follows:

| | |
|---|---|
| Weighted average share price | HK$0.153 |
| Exercise price | HK$0.156 |
| Expected volatility | 66.827% |
| Expected life | 1.5 years |
| Risk-free rate | 0.911% |
| Expected dividend yield | 4.334% |

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

The share options granted on 3 June 2009 to staff are subject to the following vesting schedule:

| **Vesting schedule** | **Maximum number of Share options exercisable** |
|---|---|
| From 3 December 2009 to 2 June 2010 | 20% |
| From 3 June 2010 to 2 December 2010 | 35% |
| From 3 December 2010 to 2 June 2011 | 50% |
| From 3 June 2011 to 2 December 2011 | 65% |
| From 3 December 2011 to 2 March 2012 | 80% |
| From 3 March 2012 to 2 June 2012 | 100% |

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity over the relevant vesting periods.

The estimated fair value of the options granted on 11 August 2009 was HK$6,150,000. The fair value was calculated using the Market Approach, reference has been made to the prices at which other services of similar nature are agreed as available in the market. In the process of valuing the share options, the uniqueness of the services provided by the consultants has been taken into account. The consultant fees are computed based on the number of working hours and the consultant fees to be charged in the provision of the consultancy service together with out-of-pocket expenses.

## 27 EMPLOYEE BENEFITS (continued)

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

The fair value of share options granted to consultants is recognised in profit or loss with corresponding increase in share-based payment reserve within equity

Because the Binomial/Trinomial pricing model and Market Approach require 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$13,258,000 (2008: HK$107,000) has been recognised by the Company for the year ended 31 December 2009 in relation to share options granted by the Company.

## 28 DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position 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 2008 | 3 | – | 5,572 | 5,575 |
| Credit to consolidated income statement | – | – | – | – |
| At 31 December 2008 | 3 | – | 5,572 | 5,575 |
| Credit to consolidated income statement | – | – | – | – |
| At 31 December 2009 | 3 | – | 5,572 | 5,575 |

At 31 December 2009, the Group has unused tax losses of approximately HK$260,164,000 (2008: approximately HK$376,465,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 December 2009 in respect of HK$46,429,000 (2008: 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:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| One year | **56,850** | 59,548 |
| More than one year but not more than two years | **40,071** | 82,616 |
| More than two years but not more than three years | **75,680** | 61,223 |
| Indefinitely | **41,134** | 126,649 |
| | **213,735** | 330,036 |

## 29 SHARE CAPITAL

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | 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 | 7,386,323,823 | 73,863 | 7,413,682,490 | 74,137 |
| Share repurchased | – | – | (27,362,000) | (274) |
| Issue of share by warrant subscription | 2,943,133 | 30 | 3,333 | – |
| Issue of share by way of Top-Up Subscription | 1,477,000,000 | 14,770 | – | – |
| Issue of shares under share option plan | 1,500,000 | 15 | – | – |
| At 31 December | 8,867,766,956 | 88,678 | 7,386,323,823 | 73,863 |

### Warrants

During the year, 2,943,133 new shares of HK$0.01 each were issued pursuant to exercise of warrants at consideration of approximately HK$1,031,000.

### Top-up subscription

On 23 June 2009, 1,477,000,000 shares of HK$0.01 were subscribed by Sure Expert Limited (the "Vendors") pursuant to the top-up placing and subscription agreement dated 8 June 2009 entered into between the Company and the Vendors (the "Agreement") at a price of HK$0.185 per share (the "Top-Up Subscription"). The Top-Up Subscription issue price of HK$0.185 represents a discount of approximately 19.21% to the benchmarked closing price of HK$0.229 per share, which is higher of (i) the closing price of HK$0.229 as quoted on the Stock Exchange on the last trading date; and (ii) the average closing price per share of HK$0.158 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Agreement.

### Share options

During the year, 1,500,000 new shares of HK$0.01 each were issued pursuant to exercise of share options at consideration of approximately HK$234,000.

## 29 SHARE CAPITAL (continued)

### Capital Management

Capital comprises of share capital and reserves stated on the consolidated statement of financial position. 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 2009, the Group's strategy was to maintain lower net gearing ratio. The net gearing ratios at 31 December 2009 and 2008 were as follows:

| | **2009**<br>**HK$'000** | 2008<br>HK$'000 |
|---|---|---|
| Total debt (note 26) | **597** | 1,246 |
| Less: Cash and cash equivalents (note 31) | **651,630** | 403,891 |
| Net cash | **651,033** | 402,645 |
| Net assets | **3,203,426** | 2,824,961 |
| Net gearing ratio | **N/A** | N/A |

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

## 30 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 page 27 of the financial statements.

| Company | Share premium account HK$'000 | Contributed surplus HK$'000 | Share-based payment reserve HK$'000 | Capital redemption reserve HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| 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 |
| At 1 January 2009 | 1,650,305 | 69,332 | 8,512 | 274 | 129,270 | 1,857,693 |
| Issue of share under share option plan | 285 | – | (66) | – | – | 219 |
| Issue of share by warrant subscription | 1,001 | – | – | – | – | 1,001 |
| Issue of share by way of Top-Up Subscription | 250,662 | – | – | – | – | 250,662 |
| Share-based payment | – | – | 13,258 | – | – | 13,258 |
| Expiry of share options | – | – | (8,532) | – | 8,532 | – |
| Profit for the year | – | – | – | – | 90,149 | 90,149 |
| Payment of dividends | – | – | – | – | (73,863) | (73,863) |
| At 31 December 2009 | 1,902,253 | 69,332 | 13,172 | 274 | 154,088 | 2,139,119 |

(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.

## 30 RESERVES (continued)

(c) The 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 directors, employees and consultants of the Company recognised in accordance with HKFRS 2. Details are set out in note 27.

The reserve available for distribution by the Company to the shareholders as at 31 December 2009 is approximately HK$223,420,000. (2008: HK$198,602,000)

## 31 CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Time deposits | **586,261** | 323,556 | **44,617** | 22,987 |
| Cash held in securities accounts maintained in securities company | **3,039** | 42,098 | **–** | – |
| Cash at bank and in hand | **62,330** | 38,237 | **18,161** | 2,651 |
| Cash and cash equivalents in the statement of financial position | **651,630** | 403,891 | **62,778** | 25,638 |
| Bank overdraft (note 26) | **(597)** | (1,246) | | |
| Cash and cash equivalents in the consolidated statement of cash flows | **651,033** | 402,645 | | |

Cash at banks and cash held in a securities account maintained in a securities company earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for varying period of between 1 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 amounts of the cash and cash equivalent approximate to their fair value.

## 32 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 end of the reporting date are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Financial assets | | | | |
| Available-for-sale financial asset | **4,047** | 15,009 | **–** | – |
| At fair value through profit or loss | | | | |
| – Held-for-trading investments | **152,609** | 38,055 | **–** | – |
| – Embedded derivatives | **–** | 7,711 | **–** | – |
| Loans and receivables | **771,977** | 440,509 | **2,361,469** | 1,939,567 |
| | **928,633** | 501,284 | **2,361,469** | 1,939,567 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | **30,452** | 22,717 | **135,399** | 9,881 |

### (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"), Renminbi ("RMB") and United States Dollars ("USD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| USD | **31,536** | 34,515 |
| RMB | **21,000** | 12,518 |

## 32 FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management objectives and policies (continued)

#### *(i) Market risk* (continued)

**Foreign exchange risk** (continued)

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% (2008: 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% (2008: 2%) against RMB. For a 2% (2008: 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** | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Sensitivity rate | **2%** | 2% |
| Profit after tax and retained earnings | **420** | 250 |

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

It is assumed that the change in foreign exchange rates had occurred at the end of the reporting period 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 2008.

**Interest rate risk**

The Group's exposure to interest rate risk arises primarily from its borrowings, bank deposits and loan receivables. Borrowings and bank deposits at variable rates and loan receivables at fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively.

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

## 32 FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management objectives and policies (continued)

#### *(i) Market risk* (continued)

**Interest rate risk** (continued)

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points (2008: 100 basis points) in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately HK$6,196,000 (2008: HK$3,864,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 2008.

**Price risk**

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

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

The following table demonstrates the sensitivity to every 15% (2008: 15%) change in the equity prices with all other variables held constant and based on their carrying amounts at the end of the reporting period. For the available-for-sale investment, the impact is deemed to be on the investment revaluation reserve and no account is given for factors such as impairment, which might have impact on the income statement. The analysis is performed on the same basis for 2008.

| | Increase/ decrease in basis points | Increase/ decrease in net profit/loss and retained earnings HK$'000 | Increase/ decrease in other equity reserves HK$'000 |
|---|---|---|---|
| **2009** | | | |
| Trading securities | **15%** | **19,114** | **–** |
| Available-for-sale investment | **15%** | **–** | **607** |
| **2008** | | | |
| Trading securities | 15% | 4,766 | – |
| Available-for-sale investment | 15% | – | 346 |

## 32 FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management objectives and policies (continued)

#### *(ii) Credit risk*

The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, loan receivables and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks 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.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits by borrower. Limits attributed to borrowers are reviewed by the management regularly. The Group obtains collateral from borrower to minimize the credit risk in respect of the loan receivables.

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

In order to minimise the credit risk in respect of the trade and other receivables, the Group reviews the recoverable amount at the end of the reporting period 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 end of the reporting period, the Group has a certain concentration of credit risk as 21% (2008: 41%) and 24% (2008: 47%) 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 statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the company's exposure to credit risk arising from loan receivables and trade and other receivables are set out in notes 23 and 24, respectively.

## 32 FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management objectives and policies (continued)

#### *(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.

The following table details the remaining contractual maturities at the end of the reporting period 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**

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **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 | **29,855** | **29,855** | **29,855** | 21,471 | 21,471 | 21,471 |
| Bank overdrafts | **597** | **597** | **597** | 1,246 | 1,246 | 1,246 |
| | **30,452** | **30,452** | **30,452** | 22,717 | 22,717 | 22,717 |

**The Company**

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **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, including amounts due to subsidiaries | **135,399** | **135,399** | **135,399** | 9,881 | 9,881 | 9,881 |

## 32 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 available-for-sale financial asset is based on net asset value of the investment fund at the end of the reporting period;

– 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 2008 and 2009 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.

### (d) Fair value hierarchy of financial instruments

HKFRS 7 requires disclosure of financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the financial instruments that are measured at fair value as at 31 December 2009.

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Assets | | | | |
| Held-for-trading securities | **152,609** | **–** | **–** | **152,609** |
| Available-for-sale investments | **–** | **4,047** | **–** | **4,047** |
| | **152,609** | **4,047** | **–** | **156,656** |

During the year, there are no significant transfers between Level 1 and Level 2.

## 33 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 2009, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **868** | 15,859 |
| After one year but within five years | **33** | 60,994 |
| Over five years | **–** | 93,896 |
| | **901** | 170,749 |

During the year ended 31 December 2009, certain tenancy agreements of VIP gaming rooms were terminated, hence the total future minimum lease receivables as at 31 December 2009 substantially decreased.

(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 2009, the Group had total future minimum lease rent payables under non-cancellable operating leases falling due as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **8,512** | 8,386 |
| After one year but within five years | **1,378** | 9,024 |
| | **9,890** | 17,410 |

## 34 COMMITMENTS AND CONTINGENT LIABILITIES

| | **The Group** | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Capital commitments: | | |
| – contracted but not provided for in the financial statements | **4,763** | – |
| – authorised but not contracted for | **14,520** | – |
| | **19,283** | – |

Apart from the above, the Group and the Company had no material commitments or contingent liabilities at the end of the reporting period.

## 35 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 as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **15,782** | 15,661 |
| Post-employment benefits | **36** | 25 |
| Equity compensation benefits | **499** | – |
| | **16,317** | 15,686 |

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 | **2009** | 2008 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| Kingston Corporate Finance Limited (note 1) | Financial advisory fee (note 2) | **–** | 300 |
| Kingston Securities Limited (note 1) | Placing commission and related expenses (note 3) | **6,831** | – |
| | Share re-purchases commission and related expenses | **–** | 82 |
| | Brokerage fee in respect of dealing in securities (note 3) | **249** | 181 |
| | Interest income (note 4) | **210** | 328 |
| Mr. Lee Wai Man (note 5) | Consultancy fee (note 2) | **1,000** | 1,000 |
| Dr. Chu Yuet Wah | Staff quarter rental expenses | **894** | 897 |

## 35 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

Notes:

1) The director, Dr. Chu Yuet Wah 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 2.5% and brokerage fee was charged at 0.25%

4) Interest income was charged at 0.015% to 1.9% per annum.

5) Mr. Lee is the father of Dr. Chu Yuet Wah.

## 36 MAJOR NON-CASH TRANSACTIONS

The principal non-cash transaction is the receipt of 3,272,727 ordinary shares in a company listed in Hong Kong as part of consideration for the early redemption of the convertible notes. Details refer to note 19 to the financial statements.

## 37 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 the end of the reporting period 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 capitalised 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.

## 37 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### Impairment loss on leasehold land

Leasehold land is carried in the statement of financial position 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, reversal of impairment loss of HK$109,349,000 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 or loss when there is objective evidence that the amounts are not recoverable.

In determining whether allowance 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.

### 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

Trinomial option pricing model is selected for valuation of conversion option elements of convertible notes. 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, Trinomial pricing model and Market Approach 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, the number of working hours and the consultant fees to be charged in the provision of the consultancy services, etc.