

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments and other investments, and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below, the accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31st December 2005.

The Group adopted the following new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which become effective from 1st January 2006. The changes to the accounting policies of the Group and their effects are set out below.

(a) Investments in finance leases

Assets leased to third parties under agreements that transfer substantially all the risk and rewards incident to ownership of the relevant assets to the lessees are classified as investments in finance leases. The present value of the lease payments is recognised as a receivable in the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Gross earnings under finance leases are recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment in the leases.

For the financial period ended 30 June 2006, Hong Kong (IFRIC) Interpretation (“HK(IFRIC)-Int”) 4 “Determining whether an Arrangement contains a Lease” becomes effective, under which the Group has reassessed all the existing arrangements to determine whether they contain a lease based on the substance of the arrangement. As a result of this reassessment, the arrangements for certain plant and equipment and computer software constitute leases under HK(IFRIC)-Int 4. Accordingly, property, plant and equipment and intangible assets with net book amounts of HK\$36,842,000 and HK\$1,139,000, respectively, as at 31 December 2005 have been reclassified as investments in finance leases. The above change however does not have any impact to the results of the Group and therefore a prior year adjustment is not required.

(b) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The full fair value of hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge item is more than twelve months, and as a current asset or liability, if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONT'D)

(b) Derivative financial instruments and hedging activities (Cont'd)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss statement.

Amounts accumulated in equity are recycled in the profit and loss statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

(c) Jointly controlled operations

Interests in unincorporated jointly controlled operations are accounted for using the proportionate consolidation method under which the share of individual assets and liabilities, income and expenses and cash flows of jointly controlled operations is included in the relevant components of the consolidated financial statements.

2. FINANCIAL RISK MANAGEMENT

All aspects of financial risk management objectives and policies of the Group are consistent with those disclosed in the financial statements for the year ended 31st December 2005.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the financial statements for the year ended 31st December 2005.

4. SEGMENT INFORMATION

The Group is principally engaged in the operation in casino games of chance or games of other forms, and the manufacture, sale and distribution of construction materials. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, other non-current assets, inventories, debtors and prepayments, and mainly exclude investments, derivative financial instruments, tax recoverable and cash and bank balances. Segment liabilities comprise mainly creditors, accruals and provisions. There are no sales or trading transaction between the business segments.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONT'D)

A summary of the business segments is set out as follows:

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June 2006				
Turnover	741,148	565,173	—	1,306,321
Operating profit/(loss)	(543,245)	5,818	73,764	(463,663)
Finance costs				(288,786)
Share of profits less losses of				
Jointly controlled entities	—	17,112	—	17,112
Associated companies	—	504	—	504
Loss before taxation				(734,833)
Taxation				(1,449)
Loss for the period				(736,282)
Capital expenditure	1,216,141	36,410	3,912	1,256,463
Depreciation	6,189	42,715	451	49,355
Amortisation	495,497	19,458	—	514,955
Impairment of property, plant and equipment	—	1,294	—	1,294
Impairment of available-for-sale financial assets	—	—	4,237	4,237
Six months ended 30th June 2005				
Turnover	—	539,572	—	539,572
Operating profit	—	4,465	4,833	9,298
Finance costs				(5,998)
Share of profits less losses of				
Jointly controlled entities	—	7,945	—	7,945
Associated companies	—	1,492	—	1,492
Profit before taxation				12,737
Taxation				(280)
Profit for the period				12,457
Capital expenditure	—	24,465	—	24,465
Depreciation	—	36,440	—	36,440
Amortisation	—	19,307	—	19,307

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONT'D)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th June 2006				
Segment assets	19,732,365	1,790,088	5,481,850	27,004,303
Jointly controlled entities	—	315,401	—	315,401
Associated companies	—	21,986	—	21,986
Total assets				27,341,690
Segment liabilities	2,590,943	559,883	9,473,954	12,624,780
As at 31st December 2005				
Segment assets	18,808,799	1,842,757	5,435,587	26,087,143
Jointly controlled entities	—	279,432	—	279,432
Associated companies	—	21,346	—	21,346
Total assets				26,387,921
Segment liabilities	900,262	570,923	9,492,372	10,963,557

A summary of the geographical segments is set out as follows:

	Turnover <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
Six months ended 30th June 2006			At 30th June 2006
Hong Kong	210,133	18,312	962,388
Macau	842,657	1,236,146	25,100,200
Mainland China	253,531	2,005	1,279,102
	1,306,321	1,256,463	27,341,690
Six months ended 30th June 2005			At 31st December 2005
Hong Kong	235,831	6,579	1,078,696
Macau	—	—	24,094,083
Mainland China	303,741	17,886	1,215,142
	539,572	24,465	26,387,921

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER

	2006 HK\$'000	2005 HK\$'000
Sales of construction materials	565,173	539,572
Revenues from gaming operations		
Net gaming wins	662,871	—
Contributions (<i>note a</i>)	72,845	—
Tips received	5,432	—
	1,306,321	539,572

- (a) In respect of the operations of certain city club casinos (the “City Club Casinos”), the Group entered into agreements with third parties for a term equal to the life of the concession agreement with the Government of Macau Special Administrative Region (the “Macau Government”) under which the service providers (the “Service Providers”) undertake for the provision of a steady flow of customers to the City Club Casinos. The Service Providers also agree to indemnify the Group against substantially all risks arising under the leases of the premises used by these casinos; and to guarantee payments to the Group of certain operating and administrative expenses. Revenues attributable to the Group are determined by reference to various rates on the net gaming wins. After special gaming tax and funds to the Macau Government, the remaining net gaming wins and revenues from gaming operations less all the relevant operating and administrative expenses belong to the Service Providers.

The Group considers recognising revenue from the City Club Casinos based on the agreed rates on the net gaming wins as appropriate after analysing the risks and rewards attributable to the Group. In addition, given the risks related to these leases and certain operating and administrative expenses are indemnified by the Service Providers, these expenses are not recognised as expenses of the Group as such.

The revenues and expenses related to the gaming operations of the City Club Casinos are summarised as follows:

	2006 HK\$'000
Net gaming wins	1,404,995
Tips received and other income	12,920
Interest income	9,361
	1,427,276
Operating expenses	
Special gaming tax and funds to the Macau Government	(565,832)
Commission and allowances to promoters	(544,102)
Staff costs	(124,591)
Administrative and others	(39,667)
	(1,274,192)
Contribution from gaming operations	153,084
Net entitlements of the Service Providers	(80,239)
Contributions attributable to the Group	72,845

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING (LOSS)/PROFIT

	2006 HK\$'000	2005 HK\$'000
Operating (loss)/profit is stated after crediting:		
Rental income	6,794	6,759
Interest income		
Loan to a related company	3,371	—
Loans to jointly controlled entities	1,101	1,096
Bank deposits	75,179	4,853
Deferred receivable	337	383
Administrative fee	4,794	—
Realised gain on available-for-sale financial assets	3,302	—
Foreign exchange gain	1,751	—
Dividend income from unlisted investments	—	12,721
Fair value gain on listed investments	—	81
Write back of stock provision	—	1,332
Profit on disposal of property, plant and equipment	—	313

and after charging:

Depreciation	49,355	36,440
Amortisation		
Quarry site development	941	932
Overburden removal costs	7,938	7,796
Gaming licence	494,806	—
Computer software	269	—
Quarry site improvements	7,570	7,560
Leasehold land and land use rights (<i>note</i>)	3,431	3,019
Operating lease rental		
Land and buildings	8,917	12,314
Plant and machinery	1,779	—
Royalty	3,929	2,792
Loss on disposal of property, plant and equipment	17	—
Impairment of available-for-sale financial assets	4,237	—
Cost of inventories sold	517,967	487,076

Note: Amortisation of leasehold land and land use rights is stated after amount capitalised in assets under construction of HK\$58,162,000 (2005: nil).

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest expenses		
Bank loans and overdrafts	15,036	5,173
Fixed rate notes wholly repayable within five years	72,200	—
Guaranteed floating rate notes wholly repayable within five years	101,799	—
Guaranteed fixed rate notes not wholly repayable within five years	133,675	—
Obligations under finance leases wholly payable within five years	28	—
Other borrowing costs	4,238	825
	326,976	5,998
Amount capitalised in assets under construction	(38,190)	—
	288,786	5,998

8. TAXATION

	2006 HK\$'000	2005 HK\$'000
Current taxation		
Hong Kong profits tax	—	78
Mainland China profits tax	934	202
Macau Complimentary tax	1,777	—
Deferred taxation	(1,262)	—
	1,449	280

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose.

Share of taxation of associated companies and jointly controlled entities for the six months ended 30th June 2006 are HK\$250,000 (2005: HK\$184,000) and HK\$336,000 (2005: HK\$274,000) respectively and are included in the profit and loss statement as share of profits less losses of associated companies and jointly controlled entities.

9. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th June 2006 (2005: nil).

NOTES TO THE FINANCIAL STATEMENTS

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share is based on the loss attributable to shareholders of HK\$734,452,000 (2005: profit of HK\$14,306,000) and the weighted average number of 3,291,087,260 shares (2005: 1,345,913,125 shares) in issue during the period.

The diluted loss per share for 2006 is not presented since the exercise of the outstanding share options would not have a dilutive effect on the loss per share. The diluted earnings per share for 2005 was calculated based on the profit attributable to shareholders of HK\$14,306,000 and the weighted average number of 1,345,913,125 shares in issue plus 18,178,485 potential shares arising from share options.

11. CAPITAL EXPENDITURE

For the six months ended 30th June 2006, the Group incurred HK\$1,237 million (2005: HK\$24.3 million) on property, plant and equipment, HK\$4.7 million on intangible assets (2005: nil), HK\$13.8 million (2005: nil) on leasehold land and land use rights and HK\$0.9 million (2005: HK\$0.3 million) on deferred expenditure. The Group has disposed of property, plant and equipment with a net book amount of HK\$8.2 million (2005: HK\$1.2 million).

12. OTHER NON-CURRENT ASSETS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Deferred expenditure		
Overburden removal costs	76,912	83,920
Quarry site development	11,633	12,459
	88,545	96,379
Quarry site improvements	107,930	120,930
Deferred receivable	7,928	2,557
Restricted bank deposits	264,021	259,153
	468,424	479,019

13. DEBTORS AND PREPAYMENTS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Trade debtors, net of provision	487,854	497,406
Amounts due from jointly controlled entities	164,618	190,266
Other receivables, net of provision	250,846	157,788
Prepayments	104,173	88,331
	1,007,491	933,791

NOTES TO THE FINANCIAL STATEMENTS

13. DEBTORS AND PREPAYMENTS (CONT'D)

The Group has established credit policies, which follow local industry standard. The Group normally allows an approved credit period ranging from 30 to 60 days for customers in Hong Kong and Macau and 120 to 180 days for customers in Mainland China. These are subject to periodic review by management.

The aging analysis of the trade debtors of the Group based on the dates of the invoices and net of provision for bad and doubtful debts is as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Within one month	102,699	130,362
Two to three months	153,973	152,782
Four to six months	50,249	98,995
Over six months	180,933	115,267
	487,854	497,406

14. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 1st January 2005 and 30th June 2005	3,888,000,000	388,800
Addition	3,000,000,000	300,000
At 1st January 2006 and 30th June 2006	6,888,000,000	688,800
Issued and fully paid:		
At 1st January 2005	1,296,475,563	129,648
Exercise of share options	1,390,000	139
Issue of new shares	146,000,000	14,600
At 30th June 2005	1,443,865,563	144,387
At 1st January 2006	3,290,579,361	329,058
Exercise of share options	4,270,000	427
At 30th June 2006	3,294,849,361	329,485

NOTES TO THE FINANCIAL STATEMENTS

14. SHARE CAPITAL (CONT'D)

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected executives. During the period, no new options were granted (2005: nil) and options for 4,270,000 shares (2005: 1,390,000 shares) were exercised and options for 600,000 shares (2005: nil) were lapsed. At 30th June 2006, outstanding options granted under the scheme are as follows:

Exercise period	Exercise price <i>HK\$</i>	Number of share options	
		30th June 2006	31st December 2005
Directors			
20th May 1999 to 19th May 2008	0.5333	2,500,000	2,500,000
30th December 2000 to 29th December 2009	0.5216	3,400,000	3,400,000
1st March 2004 to 28th February 2013	0.5140	4,280,000	4,280,000
22nd October 2005 to 21st October 2011	4.5900	13,200,000	13,200,000
22nd October 2006 to 21st October 2011	4.5900	3,290,000	3,290,000
Employees and others			
20th May 1999 to 19th May 2008	0.5333	400,000	700,000
30th December 2000 to 29th December 2009	0.5216	228,000	1,298,000
1st March 2004 to 28th February 2013	0.5140	280,000	580,000
22nd October 2005 to 21st October 2011	4.5900	16,400,000	19,400,000
22nd October 2006 to 21st October 2011	4.5900	5,060,000	5,260,000
		49,038,000	53,908,000

15. BORROWINGS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Bank loans		
Secured	232,400	232,400
Unsecured	403,493	244,000
	635,893	476,400
Other borrowings		
Fixed rate notes	2,453,402	2,584,188
Guaranteed notes	4,506,643	4,526,265
Bank loans and other borrowings	7,595,938	7,586,853
Obligations under finance leases	208	308
Total borrowings	7,596,146	7,587,161
Current portion included in current liabilities	(511,001)	(2,943,806)
	7,085,145	4,643,355

NOTES TO THE FINANCIAL STATEMENTS

16. CREDITORS AND ACCRUALS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Trade creditors	1,011,448	393,049
Other creditors	346,420	348,778
Chips issued	1,138,580	345,924
Amounts due to jointly controlled entities	14,560	14,397
Loan from minority interests	85,080	94,288
Accrued operating expenses	316,368	219,671
Deposits received	3,978	5,322
	2,916,434	1,421,429

The aging analysis of the trade creditors of the Group based on the dates of the invoices is as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Within one month	788,489	245,230
Two to three months	136,285	49,207
Four to six months	35,386	41,135
Over six months	51,288	57,477
	1,011,448	393,049

17. CAPITAL COMMITMENTS

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Contracted but not provided for	2,106,201	740,444
Authorised but not contracted for	117,097	2,741,982

18. POST BALANCE SHEET EVENT

On 11th August 2006, the Group acquired 80% of the equity interest in Tarmac Asphalt Hong Kong Limited ("Tarmac Asphalt") for a cash consideration of HK\$87.4 million. Following the acquisition, the Group's interest in Tarmac Asphalt was increased from 20% to 100%. As a result, Tarmac Asphalt ceased to be an associated company and became a wholly owned subsidiary of the Group.