Century Legend (Holdings) Limited
世 紀 建 業（集 團）有 限 公 司



Annual Report 2005

Stock Code：79

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsang Chiu Mo Samuel *(Executive Chairman)*

Ms. Chu Ming Tak Evans Tania

Mr. Tsang Chiu Ching

Mr. Wu Binquan

Independent Non-executive Directors

Mr. Yu Yun Kong

Mr. Hui Yan Kit

Mr. Hung Sui Kwan

AUDIT COMMITTEE

Mr. Yu Yun Kong *(Chairman)*

Mr. Hui Yan Kit

Mr. Hung Sui Kwan

REMUNERATION COMMITTEE

Mr. Hui Yan Kit *(Chairman)*

Mr. Yu Yun Kong

Mr. Hung Sui Kwan

NOMINATION COMMITTEE

Mr. Hung Sui Kwan *(Chairman)*

Mr. Yu Yun Kong

Mr. Hui Yan Kit

COMPANY SECRETARY

Ms. Sze Tak On

LEGAL ADVISERS

Chiu, Szeto & Cheng Solicitors

Bosco Tso & Partners Solicitors

AUDITORS

Grant Thornton

Certified Public Accountants

BANKERS

The Bank of East Asia Limited

Liu Chong Hing Bank Limited

Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS

Principal Share Registrars

Butterfield Corporate Services Limited

Rosebank Centre,

14 Bermudiana Road, Pembroke

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre,

183 Queen's Road East,

Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street,

Hamilton, HM 11,

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2708-11, 27th Floor,

West Tower, Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

STOCK CODE

0079

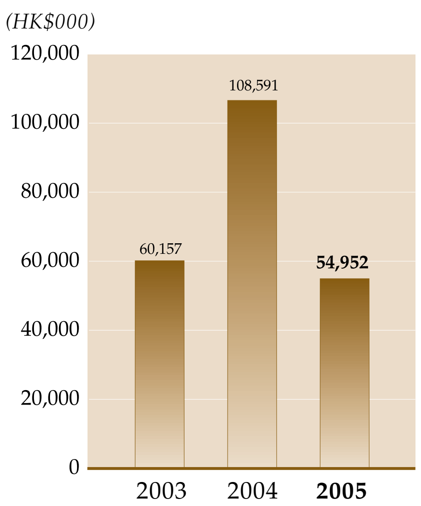
Milestones

11 January 2005	An indirect wholly-owned subsidiary of the Company and China Sky, the controlling shareholder of the Company entered into agreements to form two companies to apply for and will obtain the Gaming Intermediary Licences under the Gaming Intermediaries Regulation of Macau for the purpose of carrying on the gaming intermediary operation and other lawful gaming-related activities at the Diamond Hall and Diamond Entertainment Hall.
13 March 2005	The Group's investment in a Philippine company, which is engaged in gaming intermediary activities as well as the management and operation of the Subic Diamond Casino, was soft opened on 13 March 2005 in the Subic Bay Freeport Zone Philippines. The investment synergised with our existing business portfolio and marked a strategic move of the Group to extend its gaming businesses beyond Macau into the Pan Pacific region.
8 July 2005	Two companies formed by the Group and China Sky were granted the gaming intermediary licences by the Macau Government for conducting gaming intermediary activities at Diamond Hall located in Lisboa Casino and Diamond Entertainment Hall in Macau Diamond Casino.
19 October 2005	The Group disposed of its 2.8% business interest in a gaming intermediary business on board Omar III cruiser.
25 November 2005	The Group and China Sky jointly acquired 50% interest in Longnex Limited, the beneficial owner of Holiday Inn, Macau.
21 January 2006	The expanded gaming facilities inside the Holiday Inn, Macau is now known as the Macau Diamond Casino ("MDC") and was fully launched in January 2006 under a brand new image.
24 March 2006	The two companies formed by the Group and China Sky for conducting gaming intermediary activities entered into written agreements with the casino operator to take up the gaming intermediary operation with immediate effect. All former verbal agreements with the casino operator were formalized.

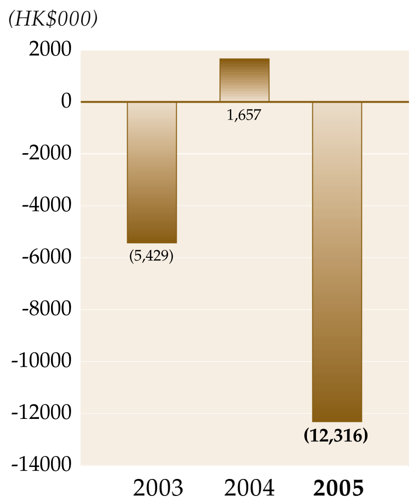
Financial Highlights

	2005	2004	Variance
	HK$000	HK$000	%
Turnover	**54,952**	108,591	(49%)
Profit/(Loss) attributable to equity holders	**(12,316)**	1,657	–
Basic earnings/(loss) per share (HK cents)	**(0.54)**	0.08	–
Total equity	**144,515**	70,453	+105%
Net assets value per share (HK cents)	**5.46**	3.41	+60%

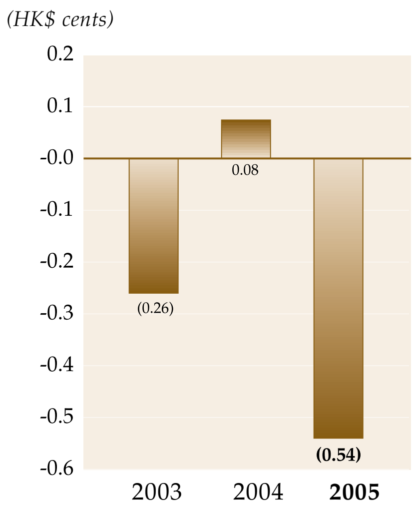
Turnover



Profit/(Loss) attributable to equity holders



Basic earnings/(loss) per share



Chairman's Letter to Shareholders

To the shareholders of Century Legend (Holdings) Limited:

2005 is a year of expansion for the Group in readying itself for the enormous gaming business market in Macau as well as in the Pan-Pacific regions.

Macau continued to experience a remarkable economic growth in 2005. The number of Mainland individual travelers visiting Macau exceeds 10 million representing approximately 56% of the number of Macau's inbound tourists during the year. The booming tourism industry in turn drove the growth of the local consumption as well as the economy. Last year, GDP of Macau showed a substantial growth of 6.7%.

After years of development, gaming industry has become the irreplaceable core business activities in Macau. Foreign investments and experiences have been introduced to Macau after liberation of the gaming industry. The gaming industry has been growing rapidly after the liberation and recorded revenue of US$5.6 billion in 2005. This is an impressive figure even if compare to other international well-known gaming destination such as the Las Vegas Strip. As new market players are entering into the market in the foreseeable future, there is still much room for the industry to grow. It is

Chairman's Letter to Shareholders

expected that the revenue generated from gaming industry shall reach no less than US$10 billion by 2010.

REVIEW BACKWARDS

The Group has further entrenched its gaming business in Macau through a series of acquisition in the year 2005.

In November 2005, the Group and its substantial shareholder, China Sky Investments Limited ("China Sky") jointly acquired 50% interests in Longnex Limited, the beneficial owner of Holiday Inn, Macau (the "Hotel"). The gaming facilities inside the Hotel were then expanded and is now known as the Macau Diamond Casino ("MDC"). MDC was fully launched in January 2006 and it presents a lively entertainment sensation offering professional services and up– to-date gaming equipments. This acquisition has broadened the Group's revenue base and further strengthened the Group's gaming investments in Macau. MDC currently includes a mass hall housing 40 gaming tables as well as different types of slot machines. In addition there are also 2 VIP rooms inside for gaming intermediary activities in order to cater the needs of VIPs.

In July 2005, two companies in Macau formed by the Group and China Sky were granted the gaming intermediary licences by the Macau Government for conducting gaming intermediary activities at Diamond Hall located in Lisboa Casino and Diamond Entertainment Hall in MDC. The granting of licences ended an era of unregulated gaming intermediary business in Macau and helps to control competition from unqualified market participants. Written agreements between two companies and the casino operator were subsequently signed in March 2006. The foremost importance for signing the agreements is that all former verbal agreements with the casino operator regarding the gaming intermediary activities could now be formalised and each party knows clearly about their own rights and obligations.

Subic Diamond Casino ("SDC") in Philippines was launched in May 2005 and has progressively built up its turnover and customer base. SDC intends to become a prominent small-medium gaming venue offering an alternative to the customers in the Pan Pacific region. Its strategy for differentiating itself from other competitors is to become a tropical holiday resort with a first class service environment and is easily accessible within the region. The Group is beneficially owning 11% of interest in SDC. It is envisaged that when the right opportunity arises, the Group may consider increasing its investment in SDC.

LOOK FORWARD

Macau Special Administrative Region is becoming more recognised internationally and received immense support from the Central Government of the People's Republic of China. These create very favorable condition for the Macau economy to grow further. The Group will conduct further business development and explore other potential investment opportunities in Macau in a prudent manner.

Looking ahead, the development of Macau's travel and gaming industry will continue a favorable and fast growing trend. To further tap the growth of the gaming business market, the Group has planned to expand the gaming operation in MDC by operating more VIP rooms and introducing other different facilities in the near future.

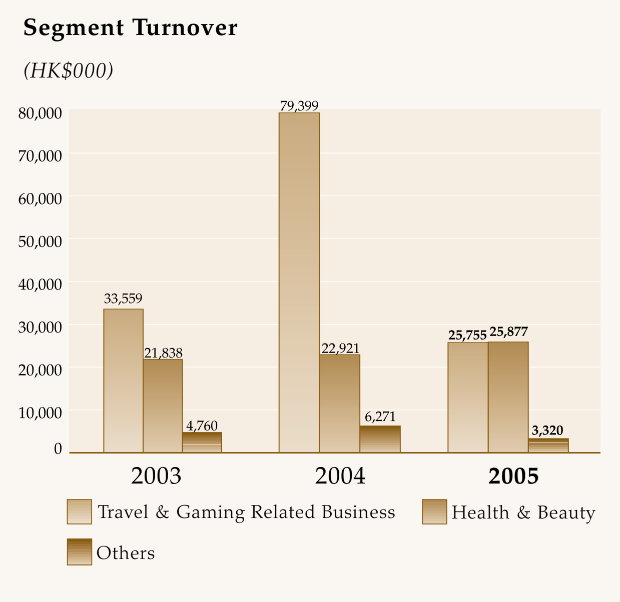
For and on behalf of the Group and the board of directors, I would like to express my heartfelt thanks to our shareholders for their enduring support and to all of my colleagues for their dedication and hard work throughout the year. Your dedication and involvement will be the most valuable asset for the growth of the Group.

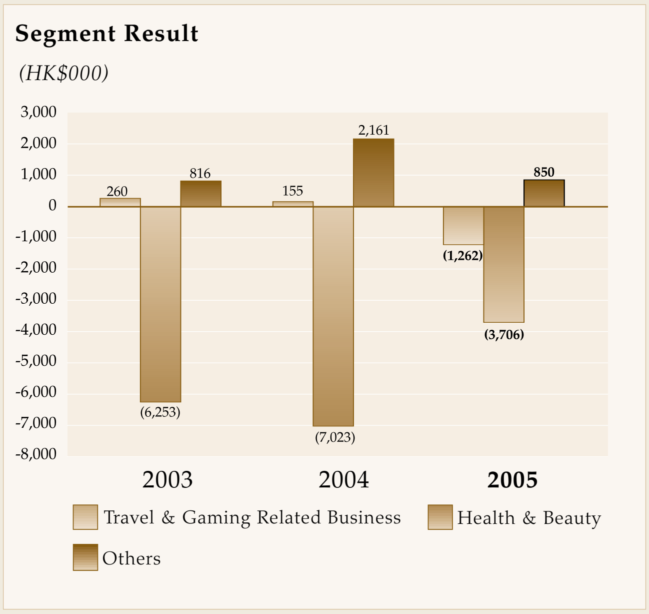
Once again, with my deepest and warmest regards.

TSANG Chiu Mo Samuel
Executive Chairman

Management Discussion and Analysis

OPERATION REVIEW





Century Legend (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the provision of travel agency services, gaming related business in Macau and provision of health and beauty services. For the year ended 31 December 2005, the emergence of new market operators in Macau leads to decrease in turnover and dividend income from travel and gaming related business. There was continuing improvement on the performance of health and beauty business.

TRAVEL AND GAMING RELATED BUSINESS

Although the gaming market in Macau has been continuously booming amid the sturdy growth in tourist arrivals from countries around the world especially Mainland China due to the much broader implementation of Individual Visit Scheme in more PRC cities, during the year under review, the Group still recorded a decrease of approximately 51% dividend income contributed from gaming intermediary operations. The decline was principally due to the suspension of gaming intermediary operations inside the Hotel during an expansion renovation period lasting 7 months till the year end of 2005. In January 2006, gaming intermediary operations was resumed after the expansion and renovation of the casino inside the Hotel. Meanwhile, the gaming intermediary business on board the Omar III cruise liner had contributed around HK$1.1 million in share of profit from associates to the Group up until October 2005 when the investment was disposed upon change of ownership of the vessel.

In November 2005, the Group and its substantial shareholder, China Sky, has each successfully acquired a 25% interests in the Hotel. The Hotel is situated in the prime location which is a densely populated area in Macau. The newly renovated Hotel is a perfect mix of a Middle-Age, Renaissance architecture and a Euro-style dècor while the gaming facilities inside the Hotel expanded from one VIP room to two VIP rooms, one mass hall with 40 gaming tables and various slot machines. The stylish casino along with its high tech gaming equipments will definitely be the revenue driven force to the investment. The brand new image of the Hotel will also bring the synergy effect to the

Management Discussion and Analysis

gaming intermediary operation at Diamond Entertainment Hall situated inside the Hotel and of which the Group owns 15% interest.

The travel agency business, in the year under review, continued to suffer from fierce market competition. Turnover was down about 68% to approximately HK$26 million attributable to the growing numbers of market rivals. In the coming year, with the increase in visitors traveling to and from Macau for business or leisure, the Group will continue to provide a wider variety of reasonably priced premium travel and entertainment packages as to cater different market needs. The Group anticipates the travel agency business will improve with the completion of the Hotel's all-round renovation.

During the year, the two companies set up by the Group and China Sky were granted the Licences under the Gaming Intermediaries Regulation of Macau to conduct gaming intermediary operations at Diamond Hall located in the Lisboa Casino, Macau and Diamond Entertainment Hall located in the premises of the Hotel. Written agreements were subsequently signed between the two companies and a casino operator to take up the gaming intermediary operations with immediate effect in March 2006. This latest government practice of granting gaming intermediary licences to qualified market players and signing of agreement between casino operator and gaming intermediaries would formalise all former agreements which were merely verbally established between the parties. It certainly marks a milestone towards regulating the gaming intermediary business in Macau.

HEALTH AND BEAUTY BUSINESSES

During the year under review, the turnover of health and beauty businesses of the Group recorded a 13% increase to HK$26 million. The net loss of the business segment further narrowed down by 47% to approximately HK$4 million resulting from implementation of effective cost control measures and absence of massive lump sum relocation and renovation expenses incurred in 2004. To capitalise on the rebounding local economy in recent years, Headquarters has strived to uphold its up-market and professional image and tapped in the market of the young and fashionable niche group with its ever-stronger consumption power. During the year under review, the Group closed down the retail counter for nail services, Nailquarters located at the Beaute@Sogo, Causeway Bay after the rental contract expired in October 2005.

Macau Diamond Casino grand opening in January 2006.

Management Discussion and Analysis

Macau Diamond Casino 1st gaming floor.

Macau Diamond Casino 1st gaming floor slot machine corner.

OTHER BUSINESS SEGMENTS

For the money lending segment, the Group recorded a turnover of HK$1.4 million and a net profit of HK$1.4 million for the year, representing a decrease of 68% and 66% respectively over last year. Since 2004, the Group has been upholding a conservative lending policy in order to minimise credit risks.

The turnover of stock broking business was HK$1 million (2004: HK$0.8 million) for the year under review. The net loss was reduced by 50% to HK$0.6 million mainly attributable to increase in sources of income and tightened cost control.

Regarding the trading business, the turnover reported HK$0.9 million a drop of 15% over last year, while the segment result recorded a turnaround from a loss of HK$0.5 million for last year to a segment profit of HK$0.1 million for the year.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 December 2005, the Group recorded a significant decline in turnover of 49% to approximately HK$55 million (2004: HK$109 million). The gross profit of the Group dropped by 11% to HK$17 million (2004: HK$19 million). The net loss of the Group increased to HK$12 million (2004: HK$1.1 million). The decline in the Group's turnover and increase in net loss were mainly attributable to the decrease in the turnover of travel businesses, decrease in dividend income from gaming intermediary businesses, decrease in share of profits from associates and loss on disposal of an associate incurred during the year.

Other revenue decreased by 48% to HK$5 million mainly as a result of decrease in investment return from gaming intermediaries and decrease in gain from disposal of listed securities.

As at 31 December 2005, the Group's net asset value was HK$145 million and had a net asset value per share of HK$0.05. The Group's total assets and liabilities were HK$155 million and HK$10 million respectively.

Liquidity and Financial Resources

As at 31 December 2005, the Group had cash and cash equivalents of HK$28 million and net current assets of

Management Discussion and Analysis

HK$42 million. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2005 was approximately 5.1 (2004: 2.8). The Group maintained a strong working capital position during the year ended 31 December 2005.

The gearing ratio (calculated as the total long term loan to the total shareholders' equity) of the Group as at 31 December 2005 was zero (2004: 0.6).

The sales and purchases of the Group are mainly denominated in U.S. dollars or Hong Kong dollars with exchange rates relatively stable during the year under review, the Directors consider that the Group's exposure to fluctuations in exchange rates was minimal.

During the year ended 31 December 2005, the Group had no assets pledged. Neither the Company nor the Group had any significant contingent liabilities as at 31 December 2005 (2004: Nil). The Group's capital commitments as at 31 December 2005 was zero (2004: Nil).

CAPITAL STRUCTURE

During the year ended 31 December 2005, cash equivalent balance of convertible notes of HK$41 million were fully converted into ordinary shares at HK$0.3 per share based on the terms of convertible notes. Accordingly 139,999,994 new shares of HK$0.01 each marking pari passu in all respects with the existing shares of the Company were allotted and issued to the noteholders.

A Deluxe Executive Club room in the Hotel.

DISPOSAL OF AN ASSOCIATE

In October 2005, the Group disposed of its 2.8% business interest in a gaming intermediary business on board Omar III cruiser for a consideration of HK$13.6 million resulting in a loss on disposal of HK$1.2 million.

EMPLOYMENT INFORMATION

As at 31 December 2005, the Group employed approximately a total of 160 employees (2004: 129). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 December 2005, the total staff costs (excluding Directors' emoluments) amounted to approximately HK$15.3 million (2004: HK$14.5 million).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Code on Corporate Governance Practices ("CG Code") issued by the Stock Exchange of Hong Kong Limited ("Stock Exchange") came into effect on 1 January 2005. The CG Code sets out two levels of corporate governance practices namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance. For the year ended 31 December 2005, the Company is in compliance with the mandatory code provisions of the CG Code except for certain areas of non-compliance that are discussed later in this report.

THE BOARD AND THE MANAGEMENT

The Board lays down corporate strategies, approves overall business plans and, on behalf of the shareholders, supervises the company's financial performance, its management and organization. The Board is also responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs the Group and of the results and cash flow of that period. The Board defines the scope within which the management team carries out day-to-day management tasks. Each of executive directors oversees specific areas of our business.

The Board determines the Company's overall objectives, strategies and business plans based on the recommendations of the management team and approves the key figures underlying the budgets prepared by the management team.

The Board reviews and approves the Company's budgets and checks to see if the targets are being achieved. It also monitors the Company's liquidity and cash positioning. It approves the Company's significant transactions.

The Board and management team handle price sensitive information with strict confidence. Public announcements are made in a timely manner to keep shareholders and the public abreast with the latest developments.

Corporate Governance Report

BOARD COMPOSITION

The Board comprises seven Directors, more than one-third of the Directors are non-executive and independent of management, thereby promoting critical review and control of the management process. The Board are collectively responsible for promoting the success of the Company by directing and supervising the Company's affair. The Board has a balance of skill and experience appropriate for the requirements of the Group's businesses. As at the date of this report, four of the Directors are executive, namely Mr. TSANG Chiu Mo Samuel, Executive Chairman, Mr. TSANG Chiu Ching, Ms. CHU Ming Tak Evans Tania and Mr. WU Binquan, and three of the Directors are independent non-executive, namely Mr. HUI Yan Kit, Mr. YU Yun Kong and Mr. HUNG Sui Kwan. Each of Directors' respective biographical details is set out in the "Biographical Details of Directors" of this annual report. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

During the year ended 31 December 2005, the Board at all time met the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise. Both of Mr. YU Yun Kong and Mr. HUNG Sui Kwan have the appropriate professional qualifications and experience in financial matters required. Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his independence to the Company.

BOARD PRACTICES

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all Directors for all regular Board meetings to give all Directors an opportunity to attend. All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All Directors have access to board paper and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required and the Directors can obtain independent professional advice at the Company's expense.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board except that Mr. TSANG Chiu Mo Samuel is a brother of Mr. TSANG Chiu Ching. Each of Directors also does not have any direct or indirect material relationship with the Group.

No insurance coverage has been purchased for any of the Directors as the Board does not foresee any contingent liabilities against the Group.

Corporate Governance Report

During the year ended 31 December 2005, 8 Board meetings have been held. Details of the attendance of the Directors are as follows:

	Number of Board meeting attended/ Number of Board meeting held			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Executive Directors				
Mr. TSANG Chiu Mo Samuel *(Chairman and the Chief Executive Officer)*	7/8	0/0	0/0	0/0
Mr. TSANG Chiu Ching	8/8	0/0	0/0	0/0
Ms. CHU Ming Tak Evans Tania	8/8	0/0	0/0	0/0
Mr. WU Binquan (appointed on 1 February 2006)	0/0	0/0	0/0	0/0
Independent non-Executive Directors				
Mr. HUI Yan Kit	5/8	1/2	0/1	0/1
Mr. YU Yun Kong	3/8	2/2	1/1	1/1
Mr. HUNG Sui Kwan	3/8	2/2	1/1	1/1

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of 2 years and will continue thereafter unless and until terminated by either party giving not less than six months' prior notice in writing to the other. With the exception of Mr. TSANG Chiu Mo Samuel as the Executive Chairman of the Company, all Directors are subject to retirement from office by the rotation at each annual general meeting as required by the bye-laws of the Company ("Bye-laws").

The independent non-executive Directors were not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws. In order to comply with the CG Code, on 16 September 2005, service contracts have been entered between the Company with each of the independent non-executive Directors providing, amongst other things, their term of offices for an initial period of 1 year and will continue thereafter unless and until terminated by either party giving not less than one months' prior notice in writing to the other. Moreover, they would also be subject to retirement by rotation at each annual general meeting of the Company.

In accordance with the Bye-laws, all Directors (except the Chairman and/or Managing Director) are subject to retirement by rotation and re-election at annual general meetings of the Company. Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of Directors (excluding the Chairman and/or Managing Director), or, if their number is not a multiple of three, then the number nearest to but not greater than one-third are required to retire from office.

Corporate Governance Report

Since the existing Bye-laws governing the retirement of Directors deviate from the CG Code provisions in the following aspects: (i) unlike the other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years, the Board has proposed to the shareholders of the Company to amend the Bye-laws to bring them in compliance with the CG Code at the coming annual general meeting.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director would be held for briefing on business and operations of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry with all Directors, the Company confirmed that all the Directors have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 December 2005.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. Mr. TSANG Chiu Mo Samuel is the Executive Chairman of the Company and no Chief Executive Officer has been appointed. The responsibilities of Chief Executive Officer have been carried out by Mr. TSANG Chiu Mo Samuel. The Board believes that it is in the best interest of the Company and the Shareholders as a whole for Mr. TSANG Chiu Mo Samuel, who is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board in an effective manner, to continue to carry out the responsibilities of Chief Executive Officer, which ensures on the effectiveness and efficiency of the decision making process of the Board.

COMMITTEES OF THE BOARD

Nomination Committee

The Nomination Committee was established on 16 September 2005 with a written terms of reference which are available from the Company Secretary at any time. The terms of reference of the Nomination Committee include making recommendations for all appointment, re-designation and re-appointment of Directors to the Board. It comprises of three members, all of whom are independent non-executive directors, namely Mr. HUNG Sui Kwan (Chairman of the Committee), Mr. YU Yun Kong and Mr. HUI Yan Kit.

Corporate Governance Report

The Nomination Committee is also responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's performance, the Nomination Committee considers a number of factors, including those set out in the Code.

The Nomination Committee meets at least once a year. During the year, the Nomination Committee has held its first meeting on 16 September 2005 to define its terms of reference, to review the structure, size and composition of the existing Board, and to recommend to the Board that the structure, size and composition (including the skills, knowledge and experience) of the Board members and senior staffs of the Company are able to running the business of the Group steadily.

The attendance of each member of the Nomination Committee, on named basis and by category, at committee meetings during the year is set out in the section "Board Practices" of this report above.

Subsequent to the year ended 31 December 2005 and prior to the date of this report, Mr. WU Binquan was appointed as an executive Director on 1 February 2006. The Nomination Committee recommended Mr. WU being appointed as executive Director to the Board and the appointment was in the best interest of the Company because Mr. WU can contribute to the Company with his over 20 years experience in hotel industry.

In accordance with the Bye-laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with Bye-law 87(1) of the Bye-laws, Mr. TSANG Chiu Ching will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election. In addition, according to Bye-law 86(2) of the Bye-laws, Mr. WU Binquan will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election. None of the independent non-executive Directors has served as Directors for more than six years.

Remuneration Committee

The Remuneration Committee was established on 16 September 2005 with written terms of reference no less exacting terms than the CG Code. The terms of reference of the Remuneration Committee are available from the Company Secretary at any time. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. HUI Yan Kit, Mr. YU Yun Kong and Mr. HUNG Sui Kwan. Mr. HUI Yan Kit is the Chairman of the committee.

Corporate Governance Report

The duties of the Remuneration Committee includes making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Directors and senior management and approving the compensation to Directors and senior management on termination or dismissal provided that no Director was involved in deciding his/her own remuneration. Remuneration package for executive Directors are as follows:

1. The remuneration for the executive Directors comprises basic salary and pensions.

2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

3. In addition to basic salary, executive Directors and employees of the Company and its subsidiaries are eligible to received a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

4. Details of the amount of Directors' emoluments during the financial year ended 31 December 2005 are set out in note 14 to the financial statements in this annual report.

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined with reference to the Company's operating results, individual performance and the prevailing market rates.

The Remuneration Committee meets at least once a year. During the year, the Remuneration Committee has held its first meeting on 16 September 2005 to define its terms of reference, to review the existing remuneration packages of each Directors and senior managements of the Company, and to recommend the remuneration packages for each Directors and senior managements of the Company. The recommended remuneration packages have been approved by the entire Board.

The attendance of each member of the Remuneration Committee, on named basis and by category, at committee meetings during the year is set out in the section "Board Practices" of this report above.

Audit Committee

The Audit Committee was established with written terms of reference which are available from the Company Secretary at any time. The Audit Committee currently comprises of three members, all of whom are independent non-executive Directors. The members are Mr. YU Yun Kong (the chairman of the committee), Mr. HUI Yan Kit and Mr. HUNG Sui Kwan, all of whom are not involved in the day-to-day management of the Company.

Corporate Governance Report

The Audit Committee convenes meetings at least twice a year. The Audit Committee is responsible for reviewing the Company's financial information (including the Company's financial statements, annual reports, interim reports and major comments on financial reporting contained in the financial statements and reports), examining and studying the Company's financial reporting system and procedures for internal supervision and control, and making recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc.

During the year under review, the Audit Committee held two meetings, during which the annual report for the year ended 31 December 2004 and the interim report for the six months ended 30 June 2005 were reviewed. Please refer to the table set out in the section "Board Practices" of this report for the attendance record of individual Audit Committee members. All these meetings were convened in accordance with Bye-laws.

Save as disclosed above, the Audited Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2005.

The Audit Committee has recommended to the Board that Grant Thornton, Certified Public Accountants ("Grant Thornton"), be nominated for re-appointment as external auditors of the Company at the forthcoming annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Hong Kong Companies Ordinance requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the Company's state of affairs as at the end of the financial year and of its profit or loss for the year then ended. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;
- state the reasons for any significant departure from the relevant accounting standards; and
- prepare the Financial Statements on a going concern basis, unless it is not appropriate to presume that the Company will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of the external auditors of the Company, Grant Thornton, about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 27 to 28.

Corporate Governance Report

AUDITORS AND THEIR REMUNERATION

Grant Thornton has been appointed as the external auditors of the Company for the year ended 31 December 2005 by shareholders at the annual general meeting and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31 December 2005 has been audited by Grant Thornton.

For the year ended 31 December 2005, Grant Thornton, the external auditors of the Company, provided the following services to the Company:–

	2005	2004
	HK$'000	HK$'000
Audit services	**638**	563
Very Substantial Acquisition and right issue accounts reporting services	**700**	-
Total:	**1,338**	563

The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Grant Thornton to discuss the scope of their audit.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

In order to develop and maintain a continuing investors' relationship with the Company's shareholders, the Company has established various channels of communications with its shareholders such as publication of interim and annual reports, press release and announcement of the latest development of the Company in a timely manner. The annual general meeting provides an opportunity for shareholders to exchange views with the Board. The Chairman as well as chairmen of different Committees are available to answer shareholders' questions. Moreover, resolutions are proposed at annual general meeting on each substantially separate issue, including the election of individual Directors. In addition, details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders despatched together with the annual report. Details of the proposed resolutions are also set out in the circular.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and associates are set out in notes 17 and 18 to the financial statements respectively. There were no significant changes in the nature of the Group's principal activities during the year. An analysis of the Group's performance for the year by business is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 29 to 85.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$80,500.

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.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2005, the distributable reserves of the Company available for distribution as dividend amounted to HK$69,100,000 represented by the contributed surplus of HK$213,978,000 after compensating the accumulated losses of HK$144,878,000. Under the Bermuda Companies Act, the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium accounts.

Directors' Report

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 86.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

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

Executive Directors:
Mr. TSANG Chiu Mo Samuel *(Executive Chairman)*
Ms. CHU Ming Tak Evans Tania
Mr. TSANG Chiu Ching
Mr. WU Binquan (appointed on 1 February 2006)

Independent Non-executive Directors:
Mr. YU Yun Kong
Mr. CHEUNG Ka Wai (resigned on 3 January 2005)
Mr. HUI Yan Kit
Mr. HUNG Sui Kwan (appointed on 3 January 2005)

In accordance with Bye-law 87 of the Company's bye-laws, all Directors retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors, except for Mr. WU Binquan commencing on 1 February 2006, has entered into a service agreement with the Company which runs for an initial term of two years commencing on 16 September 2005 and will be renewable for successive terms of one year until terminated by either party by giving to the other not less than six months prior written notice.

Each of the Independent Non-executive Directors has entered into a service agreement with the Company for a fixed term of one year commencing on 16 September 2005 until terminated by either party by giving to the other not less than one month prior written notice.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or holding companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors:

Mr. TSANG Chiu Mo Samuel, aged 33, brother of the Company's Executive Director, Mr. TSANG Chiu Ching, was appointed as Executive Chairman in April 2004. He is responsible for the Group's strategic planning, business development and corporate finance portfolio. Mr. Tsang is a director of Barsmark Investments Limited, a substantial shareholder of the Company, and a director of China Sky Investments Limited and China Sky Finance Limited.

Mr. TSANG holds a Master degree in Corporate Finance. Prior to joining the Group, he has gained broad experience working with international firms in building construction, hotel management, financing and strategic investment.

Ms. CHU Ming Tak Evans Tania, aged 48, joined the Group in 1999 and was appointed as Executive Director in January 2001. She is responsible for overseeing the Group's financial and investment related activities.

Ms. CHU received her tertiary education in Canada. Prior to joining the Group, she had more than 12 years of experience working in the financial field of various commercial enterprises both in Hong Kong and Canada.

Mr. TSANG Chiu Ching, aged 30, brother of the Company's Executive Chairman, Mr. TSANG Chiu Mo Samuel, was appointed as Executive Director in September 1999. He is responsible for the evaluation and implementation of business development strategies, as well as investment activities. Mr. Tsang is also a director of Barsmark Investments Limited, a substantial shareholder of the company and a director of China Sky Investments Limited and China Sky Finance Limited.

Directors' Report

Before joining the Group, Mr. TSANG worked in a finance company responsible for corporate finance functions, direct investments and project financing.

Mr. WU Binquan, aged 52, was appointed as an Executive Director of the Company on 1st February 2006. Mr. WU has over 20 years of experience in hotel industry and is responsible for overseeing finance and operation. After joining the Company, Mr. WU is responsible for overseeing finance and operation of hotel related investment. He is currently a director of our associated company engaged in the ownership of a hotal in Macau.

Independent Non-executive Directors:

Mr. YU Yun Kong, aged 39, was appointed as an Independent Non-executive Director in January 2001. Mr. YU is a Certified Public Accountant with over 15 years of experience in public accounting practice. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. CHEUNG Ka Wai, aged 36, was appointed as an Independent Non-executive Director in November 2002. He is currently working as a finance manager in an international corporation which provides financial management services.

Mr. HUI Yan Kit, aged 32, was appointed as an Independent Non-executive Director in July 2004. Before joining the Group, Mr. HUI had more than 8 years experience in sales and marketing both in Hong Kong and China. He is currently a sales and marketing manager of an international corporation engaged in plastic material manufacturing and trading.

Mr. HUNG Sui Kwan, aged 36, was appointed as an Independent Non-executive Director in January 2005. Mr. HUNG is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Hung worked for an international accounting firm for three years and has been a sole proprietor of a local certified public accountant firm since 1997. He is currently the company secretary of Get Nice Holdings Limited, a listed company in Hong Kong.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2005, the interests and short positions of each of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares

Name of Director	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Mr. TSANG Chiu Ching	Beneficial	3,212,000	0.1%
	Corporate	1,146,822,203 *(Note)*	43.3%
Mr. TSANG Chiu Mo Samuel	Corporate	1,146,822,203 *(Note)*	43.3%

Note: These shares are beneficially owned by Barsmark Investments Limited, the issued share capital of which is indirectly beneficially owned as to one-third by each of Mr. TSANG Chiu Mo Samuel, Mr. TSANG Chiu Ching and Ms. TSANG Chiu Yuen Sylvia. Ms. TSANG Chiu Yuen Sylvia is the sister of Mr. TSANG Chiu Mo Samuel and Mr. TSANG Chiu Ching.

Save as disclosed above, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those in respect of the Directors and Chief Executives as disclosed above.

Long position in shares

Name	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Barsmark Investments Limited	Beneficial	1,146,822,203	43.3%
China Sky Investments Limited *(Note)*	Corporate	1,146,822,203	43.3%
Conba Investments Ltd. *(Note)*	Corporate	1,146,822,203	43.3%
Sky Shore Limited *(Note)*	Corporate	1,146,822,203	43.3%
Fortune Ocean Limited *(Note)*	Corporate	1,146,822,203	43.3%
Ms. TSANG Chiu Yuen Sylvia *(Note)*	Corporate	1,146,822,203	43.3%
Szeto Investments Holdings (Amusement) Ltd.	Beneficial	262,500,000	9.9%

Note: Barsmark Investments Limited is wholly and beneficially owned by China Sky Investments Limited, the issued share capital of which is beneficially owned as to one-third by each of (i) Conba Investments Ltd. (a company wholly and beneficially owned by Mr. TSANG Chiu Mo Samuel); (ii) Sky Shore Limited (a company wholly and beneficially owned by Ms. TSANG Chiu Yuen Sylvia); and (iii) Fortune Ocean Limited (a company wholly and beneficially owned by Mr. TSANG Chiu Ching). Szeto Investments Holdings (Amusement) Limited is ultimately and beneficially owned by Ms. SZETO Yuk Lin who is the mother of Mr. TSANG Chiu Mo Samuel, Mr. TSANG Chiu Ching and Ms. TSANG Chiu Yuen Sylvia.

Save as disclosed above, no other person other than the Directors or Chief Executives of the Company had interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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' Report

MAJOR CUSTOMERS AND SUPPLIERS

The five major customers of the Group were attributable to the money lending business and general merchandise trading business. The five major suppliers of the Group were attributable to travel agency business, general merchandise trading business and health and beauty services. The percentages of the sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	12%
– five largest customers combined	16%
Purchases	
– the largest supplier	59%
– five largest suppliers combined	87%

None of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTIONS

On 11 January 2005, the Group and China Sky entered into an agreement to form two companies (the "Two Companies") for the purpose of applying for a gaming intermediary license which is required under the Gaming Intermediaries Regulation of Macau for carrying out Gaming intermediary operation in Macau. The Two Companies have been set up with registered paid up capital of MOP100,000 each. The Group and China Sky own 15% and 85%, respectively, of the paid up capital of each of the Two Companies. China Sky was beneficially interested in 48.9% issued share capital of the Company as at 11 January 2005.

On 27 July 2005, HKM Hotel Limited ("HKM"), a wholly-owned subsidiary of the Company, entered into a conditional agreement (the "Agreement") as purchaser with Century Legend Properties Limited ("CL Properties"), a wholly-owned subsidiary of China Sky, as vendor. Pursuant to the Agreement, HKM agreed to purchase 50% of the issued share capital of Investgiant Limited ("Investgiant") and take the assignment of 50% of all sums due and owing by Investgiant to CL Properties as at completion of the Agreement for an aggregate consideration of HK$55,707,000. Such acquisition was completed on 25 November 2005. China Sky was beneficially interested in 43.3% issued share capital of the Company as at 25 November 2005.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the code provisions same as disclosed in the Corporate Governance Report and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Listing Rules.

Directors' Report

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were revised and adopted in September 2006.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. YU Yun Kong, Mr. HUI Yan Kit and Mr. HUNG Sui Kwan. Two meetings were held during the current financial year. Audit Committee had met with the management of the Company and the auditors to review the final results, considered the significant accounting policies, and discussed with the management of the Group's internal control system. The Group's consolidated financial statements for the year ended 31 December 2005 have been reviewed and approved by the Audit Committee.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. TSANG Chiu Ching and Mr. TSANG Chiu Mo Samuel are the Directors of China Sky Finance Limited ("China Sky Finance"). The provision of personal and commercial loan service of China Sky Finance constitutes a competing business to the Group. Apart from the foregoing, none of the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the year.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 38 to the financial statements.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the year.

AUDITORS

Grant Thornton have acted as auditors of the Company for the three years ended 31 December 2005. A resolution will be submitted to the forthcoming annual general meeting to re-appoint them as auditors of the Company.

On behalf of the Board

CHU Ming Tak Evans Tania
Executive Director
Hong Kong, 18 April 2006

Auditors' Report

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

To the members of Century Legend (Holdings) Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 29 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

Auditors' Report

As detailed in note 20 to the financial statements, on 19 November 2003 and 4 February 2004, the Group acquired an aggregate of 15% interest in each of the two unincorporated syndicates of which the principal activities are the carrying out of gaming intermediary operations (the "Investment") and the cost for acquiring the Investment amounting to approximately HK$35 million has been included under "Available-for-sale financial assets/Investments" in the consolidated balance sheets as at 31 December 2005 and 31 December 2004. We have not been able to obtain sufficient documentary evidence to ascertain the existence of the Investment, the Group's ownership in the Investment and to assess whether there was any impairment in respect of the carrying value of the Investment. There were no alternative procedures we could adopt to satisfy ourselves regarding the existence of the Investment, the ownership of the Investment by the Group and the valuation of the Investment as at 31 December 2005 and 31 December 2004. Accordingly, we have not been able to ascertain the appropriateness of the recognition of the investment return arising from the Investment amounting to HK$2.7 million and HK$5.5 million as included under "Other income" as set out in note 5(b) to the financial statements for the years ended 31 December 2005 and 31 December 2004 respectively. Any adjustments found to be necessary as a result of the scope limitations would have a consequential effect on the Group's loss for the year and its net assets as at 31 December 2005 and 31 December 2004.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the existence of the Investment, the Group's ownership in the Investment, the carrying value of the Investment and the Group's entitlement to the investment return from the Investment during the year as mentioned above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the Investment, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Grant Thornton
Certified Public Accountants

Hong Kong, 18 April 2006

Consolidated income statement

for the year ended 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'000
Revenue and turnover	*5(a)*	**54,952**	108,591
Cost of sales		**(38,068)**	(89,614)
Gross profit		**16,884**	18,977
Other income	*5(b)*	**5,264**	10,062
Administrative expenses		**(33,309)**	(32,846)
Other expenses		**(286)**	(2,604)
Operating loss		**(11,447)**	(6,411)
Finance costs	*7*	**(48)**	(2,138)
Share of profits of associates		**417**	7,430
Loss on disposal of an associate		**(1,238)**	–
Loss before income tax	*8*	**(12,316)**	(1,119)
Income tax expense	*9*	**–**	–
Loss for the year	*10*	**(12,316)**	(1,119)
Loss for the year attributable to:			
Equity holders of the Company		**(12,316)**	1,657
Minority interests		**–**	(2,776)
		(12,316)	(1,119)
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company for the year	*11*		
– Basic		**(HK0.54 cents)**	HK0.08 cents
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

as at 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	15	–	600
Property, plant and equipment	16	3,412	4,536
Interest in associates	18	55,510	14,843
Available-for-sale financial assets/Investments	20	43,511	35,047
Loans receivable	21	503	679
Advance to an investee company	22	–	4,000
		102,936	59,705
Current assets			
Inventories	23	3,164	446
Financial assets at fair value through profit or loss/Trading securities	24	82	105
Trade and other receivables	25	10,048	12,423
Loans receivable, current portion	21	10,509	21,276
Cash and cash equivalents	26	27,927	46,782
		51,730	81,032
Current liabilities			
Trade payables	27	1,176	7,940
Other payables and accruals		5,359	18,238
Amounts due to investee companies	28	29	–
Deferred income		3,587	2,989
		10,151	29,167
Net current assets		41,579	51,865
Total assets less current liabilities		144,515	111,570
Non-current liabilities			
Convertible notes	29	–	41,117
Net assets		144,515	70,453
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	26,460	20,650
Reserves	31	118,055	49,803
Total equity		144,515	70,453

On behalf of the Board

Tsang Chiu Mo Samuel
Director

Chu Ming Tak Evans Tania
Director

Balance Sheet

as at 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	53,218	56,218
Amounts due from subsidiaries	19	–	61,899
		53,218	118,117
Current assets			
Other receivables and deposits		437	366
Amounts due from subsidiaries	19	151,974	–
Cash and cash equivalents	26	14,732	23,195
		167,143	23,561
Current liabilities			
Other payables and accruals		1,145	710
Net current assets		165,998	22,851
Total assets less current liabilities/Net assets		219,216	140,968
EQUITY			
Share capital	30	26,460	20,650
Reserves	31	192,756	120,318
Total equity		219,216	140,968

On behalf of the Board

Tsang Chiu Mo Samuel
Director

Chu Ming Tak Evans Tania
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
Total equity at 1 January, as previously reported		**70,453**	65,781
Effect of initial adoption of HKAS 1	2.3	**–**	860
Effect of initial adoption of HKAS 39	2.3	**37**	–
Total equity at 1 January, as restated		**70,490**	66,641
Acquisition of minority interest		**–**	1,916
Fair value adjustment on available-for-sale financial assets	20(a)	**(12)**	–
Net expense recognised directly in equity		**(12)**	–
(Loss)/Profit for the year	31		
– attributable equity holders of the Company		**(12,316)**	1,657
– attributable to minority interest		**–**	(2,776)
Total recognised loss for the year		**(12,328)**	(1,119)
Movements in equity arising from capital transactions:			
Equity component of convertible notes on adoption of HKAS 32	29	**–**	3,015
Issue of new shares by conversion of convertible notes	29,30,31	**42,863**	–
Conversion of convertible notes		**(3,015)**	–
Issue of new shares by way of rights issue	30,31	**48,509**	–
Share issue expenses	30,31	**(2,004)**	–
Total equity as at 31 December		**144,515**	70,453

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'000
Cash flows from operating activities			
Loss before income tax		(12,316)	(1,119)
Adjustments for:			
Depreciation of property, plant and equipment		2,099	2,435
Amortisation of goodwill		–	757
Impairment of goodwill		600	1,916
Loss on disposal of property, plant and equipment		15	40
Loss on disposal of an associate	34	1,238	–
Gain on disposals of listed securities		–	(1,550)
Unrealised loss on financial assets at fair value through profit or loss		38	–
Unrealised gain on trading securities		–	(69)
Gain on disposal of a subsidiary		–	(20)
Bank interest income		(317)	(52)
Dividend income from listed securities		–	(140)
Investment return from unincorporated syndicates		(2,679)	(5,494)
Interest expenses		48	2,138
Share of profits of associates		(417)	(7,430)
Impairment loss on loans receivable written back		(361)	–
Other payables written back		(31)	–
Operating loss before working capital changes		(12,083)	(8,588)
Decrease in loans receivable		11,304	5,499
Increase in inventories		(2,718)	(132)
Decrease/(Increase) in trade and other receivables		1,714	(1,403)
(Decrease)/Increase in trade payables, other payables and accruals		(19,606)	10,532
Increase in deferred income		598	2,044
Net cash (used in)/generated from operating activities		(20,791)	7,952
Cash flows from investing activities			
Purchases of property, plant and equipment		(990)	(4,236)
Proceeds from disposal of property, plant and equipment		–	4
Disposal of a subsidiary		–	850
Deposits refunded for acquisitions of investments		–	20,000
Acquisition of interest in unincorporated syndicates		–	(23,400)
Acquisition of an associate		(56,187)	(15,000)
Advance to an investee company		(4,410)	(4,000)
Purchases of listed securities		(15)	(3,087)
Proceeds from disposals of an associate	34	13,605	–
Proceeds from disposals of listed securities		–	8,789
Interest received		317	52
Investment return received from unincorporated syndicates		3,340	4,833
Dividend received from listed securities		–	140
Dividend received from an associate		1,094	301
Net cash used in investing activities		(43,246)	(14,754)

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'000
Cash flows from financing activities			
Proceeds from issue of convertible notes		–	13,000
Early redemption of a convertible note		–	(3,000)
Proceeds from rights issue		48,509	–
Share issue expenses paid		(2,004)	–
Interest paid		(1,323)	–
Net cash generated from financing activities		45,182	10,000
Net (decrease)/increase in cash		(18,855)	3,198
Cash and cash equivalents at 1 January	*26*	46,782	43,584
Cash and cash equivalents at 31 December	*26*	27,927	46,782

Notes to the Financial Statements

for the year ended 31 December 2005

1. GENERAL INFORMATION

Century Legend (Holdings) Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and its principal place of business is Room 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") comprise the following:

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

The financial statements on pages 29 to 85 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2005 were approved and authorised for issue by the board of directors on 18 April 2006.

Notes to the Financial Statements

for the year ended 31 December 2005

2. ADOPTION OF NEW, REVISED AND RENAMED HKFRS

2.1 Impact of new, revised and renamed HKFRS which are effective in the current financial year

From 1 January 2005, the Group has adopted the new, revised and renamed standards and interpretations of HKFRS, which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Polices, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	Transitional and Initial Recognition of Financial Assets and Financial Liabilities Amendment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and consequently, the financial statements for the year ended 31 December 2004 including their presentation have been amended in accordance with HKAS 8. Accordingly, certain comparative figures for 2004 contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Notes to the Financial Statements

for the year ended 31 December 2005

2. ADOPTION OF NEW, REVISED AND RENAMED HKFRS (continued)

2.1 Impact of new, revised and renamed HKFRS which are effective in the current financial year (continued)

Significant effects on current, prior or future periods arising from the first-time adoption of the standards listed above with respect to presentation, recognition and measurement of accounts are described in the following notes:

(a) Adoption of HKAS 1

The adoption of HKAS 1 led to an update of the presentation of financial statements. In particular, minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company are now presented as an allocation of the net result of the year. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

(b) Adoption of HKAS 32 and HKAS 39

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

In the prior year, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32, convertible notes are split into liability and equity components. The effect of the above changes are summarised in note 2.2 and 2.3 to the financial statements. In accordance with HKAS 32, comparative figures have been restated.

Prior to the adoption of HKAS 39, the Group has recorded its equity investments held on a continuing basis for an identifiable long-term purpose at cost less provision for impairment losses and trading securities at fair values with changes in value being recognised in the income statement as they arise.

Upon the adoption of HKAS 39, the Group classified its equity investments held on a continuing basis for an identifiable long-term purpose as available-for-sale financial assets and carried at fair value with the exception of certain unlisted equity investments which are carried at cost less provision for impairment losses. Changes in fair value are recognised in equity unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for the period in which the impairment is identified. Any subsequent increase or decrease in the fair value of available-for-sale financial assets is recognised directly in equity.

Notes to the Financial Statements

for the year ended 31 December 2005

2. ADOPTION OF NEW, REVISED AND RENAMED HKFRS (continued)

2.1 Impact of new, revised and renamed HKFRS which are effective in the current financial year (continued)

(b) Adoption of HKAS 32 and HKAS 39 (continued)

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of accumulated losses on 1 January 2005 and the comparative figures have not been restated. There are no material adjustments arising from the adoption of HKAS 39 for trading securities apart from the reclassification to financial assets at fair value through profit or loss.

(c) Adoption of HKAS 36 and HKFRS 3

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life and was subject to impairment testing when there is indication of impairment. The adoption of HKFRS 3 has resulted in the Group ceasing goodwill amortisation and commencing impairment testing annually as well as when there is indication of impairment. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. The carrying amount of the related accumulated amortisation on 1 January 2005 was eliminated against the gross amount of goodwill.

The effect of the above changes are summarised in note 2.2 and 2.3 to the financial statements. In accordance with the relevant transitional provisions of HKFRS 3, comparative figures have not been restated.

(d) Other standards adopted

The adoption of other standards did not result in significant changes to the Group's accounting policies nor result in any significant changes to the amounts or disclosures in these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2005

2. ADOPTION OF NEW, REVISED AND RENAMED HKFRS (continued)

2.2 The effect of changes in the accounting policies on the consolidated income statement are summarised below:

	Effect of adopting			
	HKAS 32# HK$'000	HKAS 39* HK$'000	HKAS 36* and HKFRS 3* HK$'000	Total HK$'000
Year ended 31 December 2005				
(Decrease)/Increase in other expenses				
– discontinuation of amortisation of goodwill	–	–	(600)	(600)
– impairment of goodwill	–	–	600	600
Total (decrease)/increase in loss for the year	–	–	–	–
(Decrease)/Increase in basic loss per share	N/A	N/A	N/A	N/A
(Decrease)/Increase in diluted loss per share	N/A	N/A	N/A	N/A

	Effect of adopting			
	HKAS 32# HK$'000	HKAS 39* HK$'000	HKAS 36* and HKFRS 3* HK$'000	Total HK$'000
Year ended 31 December 2004				
Increase in finance costs				
– Interest expenses of the liability component	863	–	–	863
Total increase in loss for the year	863	–	–	863
Increase in basic loss per share	HK0.04 cents	–	–	HK0.04 cents
(Decrease)/Increase in diluted loss per share	N/A	N/A	N/A	N/A

* *adjustments which take effect prospectively from 1 January 2005*

\# *adjustments which take effect retrospectively*

Notes to the Financial Statements

for the year ended 31 December 2005

2. ADOPTION OF NEW, REVISED AND RENAMED HKFRS (continued)

2.3 The effect of changes in the accounting policies on the consolidated balance sheet are summarised below:

	Effect of adopting				
				HKAS 36* and	
	HKAS 1#	**HKAS 32#**	**HKAS 39***	**HKFRS 3***	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004					
Decrease in minority interests					
– Decrease in minority interests	(860)	–	–	–	(860)
Increase in equity					
– Increase in minority interests	860	–	–	–	860
At 31 December 2004					
Increase/(Decrease) in equity					
– Increase in convertible notes equity reserve	–	3,015	–	–	3,015
– Increase in accumulated losses	–	(863)	–	–	(863)
At 1 January 2005					
Increase in assets					
– Increase in available-for-sale financial assets	–	–	37	–	37
Increase in equity					
– Decrease in accumulated losses	–	–	37	–	37
At 31 December 2005					
Decrease in asset					
– Decrease in available-for-sale financial assets	–	–	(12)	–	(12)
Decrease in equity					
– Decrease in investment revaluation reserve	–	–	(12)	–	(12)

* *adjustments which take effect prospectively from 1 January 2005*

\# *adjustments which take effect retrospectively*

Notes to the Financial Statements

for the year ended 31 December 2005

2. ADOPTION OF NEW, REVISED AND RENAMED HKFRS (continued)

2.4 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations of HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 – Financial Reporting in Hyperinflationary Economies[4]

Notes:

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2006.
3. Effective for annual periods beginning on or after 1 December 2005.
4. Effective for annual periods beginning on or after 1 March 2006.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

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

It should be noted that accounting estimates and assumptions have been used in preparation of the financial statements. Although these estimates and assumptions are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions.

3.2 Basis of consolidation

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

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

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

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Subsidiaries

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

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

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Investment in associates is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associates' net assets. Goodwill arising from the acquisition of associates is included as part of the Group's investment in associates. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's investment in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets and liabilities including contingent liabilities of the acquired subsidiaries or associates at the date of acquisition. Goodwill arising on acquisition of subsidiaries is initially recognised in the consolidated balance sheet as an asset at cost and subsequently measured at cost less impairment losses. Goodwill arising on acquisition of associates is included in the carrying amount of the interest in associates rather than recognised as a separate asset on the consolidated balance sheet. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

3.6 Foreign currency translation

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

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement under "other income" or "administrative expenses", respectively. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Foreign currency translation (continued)

In the consolidated financial statements, all separate financial statements of the consolidated entities originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure are charged or credited to the exchange reserve in equity.

3.7 Property, plant and equipment

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

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

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

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

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

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

3.8 Impairment losses

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment losses (continued)

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

3.9 Operating leases

Rental payable under operating leases are charged to income statement on a straight-line basis over the periods of the respective leases.

3.10 Inventories

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

3.11 Financial assets

In prior years, the Group classified its investments in securities, other than subsidiaries and associates as investment securities and trading securities.

(a) Investment securities

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated at cost less provisions for impairment losses. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement. Any gain or loss on disposal, representing the difference between the net sales proceeds and the carrying amounts of the securities, is recognised in the income statement as the disposal occurs.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial assets (continued)

(b) Trading securities

Trading securities are securities which are held for trading purposes and are carried at fair value. Changes in fair value of trading securities are recognised in the income statement as they arise. Gain or loss on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, is recognised in the income statement as the disposal occurs.

From 1 January 2005 onwards, the Group classifies its financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All regular way purchases or sales of financial assets are recognised on the trade date (i.e., the date that the Group commits to purchase the asset). 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. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial assets (continued)

The accounting policies adopted in respect of each category of financial assets are set out below.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables (including loans receivable, trade and other receivables, cash at banks and in hand and amounts due from subsidiaries of the Company) are subsequently measured at amortised cost using the effective interest method, less impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial assets at fair value through profit or loss are financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition.

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are designated as available-for-sale or are not classified in any other categories of financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value with changes in fair value recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is removed from equity and recognised in income statement. Any impairment losses on available-for-sale financial assets are recognised in income statement. Impairment losses on equity investments classified as available-for-sale are not reversed through income statement in subsequent periods.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial assets (continued)

(iii) Available-for-sale financial assets (continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand as well as short-term bank deposits.

3.13 Provisions

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

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

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held in separate trustee-administered funds.

The Group's employer voluntary contributions to the MPF Scheme are expensed as incurred and vest fully with the employees when contributed into the MPF Scheme.

3.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Accounting for income taxes (continued)

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

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

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

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

3.16 Borrowing costs

All borrowing costs are expensed as incurred.

3.17 Financial liabilities

The Group's financial liabilities include trade and other payables and deferred income. They are included in balance sheet line items as trade payables, other payables and accruals and deferred income under current liabilities.

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

Trade payables, other payables and accruals and deferred income are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Share capital and share premium

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

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

3.19 Revenue recognition

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Segment reporting

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

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

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

3.21 Convertible notes

Convertible notes issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the call option for conversion of the note into equity, is included in equity as convertible note equity reserve.

The liability component is subsequently carried at amortised cost using effective interest method. The equity component will remain in equity until conversion or redemption of the note.

When the note is converted, the convertible note equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note equity reserve is released directly to retained profits or accumulated losses.

Notes to the Financial Statements

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Related parties

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

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(b) the party is an associate;

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2005

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(a) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassesses the provision at the balance sheet date.

(b) Valuation of convertible notes

The Group's management determined the fair values of the liability components of the convertible notes by using the income approach which is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the non-convertible notes than an amount equal to the present worth of anticipated future benefits (income) from the same or substantially similar non-convertible notes with a similar risk profile.

5(a). REVENUE AND TURNOVER

	2005	2004
	HK$'000	HK$'000
Sale of traveling and entertainment packages	**25,755**	79,399
Health and beauty services	**25,877**	22,921
Interest income from money lending business	**1,433**	4,493
Brokerage and commission income	**1,018**	751
Sale of goods	**869**	1,027
	54,952	108,591

Notes to the Financial Statements

for the year ended 31 December 2005

5(b). OTHER INCOME

	2005 HK$'000	2004 HK$'000
Bank interest income	**317**	52
Dividend income from listed securities	**–**	140
Gain on disposal of a subsidiary	**–**	20
Gain on disposals of listed securities	**–**	1,550
Investment return from unincorporated syndicates	**2,679**	5,494
Management fee income	**1,053**	1,541
Operating lease rental income	**640**	655
Sundry income	**575**	610
	5,264	10,062

6. SEGMENT INFORMATION

Primary report format – business segments

The Group is organised into five main business segments:

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

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

Notes to the Financial Statements

for the year ended 31 December 2005

6. SEGMENT INFORMATION (continued)

Primary report format – business segments (continued)

	Travel and gaming related business HK$'000	Health and beauty services HK$'000	Money lending HK$'000	Stock broking HK$'000	Trading HK$'000	Group HK$'000
2005						
Segment revenue						
– Revenue and turnover	25,755	25,877	1,433	1,018	869	54,952
– Other income	3,844	108	22	380	2	4,356
Unallocated revenue/income						908
						60,216
Segment results	(1,262)	(3,706)	1,353	(642)	139	(4,118)
Unallocated revenue/income						956
Unallocated costs						(8,285)
Operating loss						(11,447)
Finance costs						(48)
Share of profits of associates						417
Loss on disposal of an associate						(1,238)
Loss before income tax						(12,316)
Income tax expense						–
Loss for the year and attributable to equity holders of the Company						(12,316)
Segment assets	52,723	8,078	11,750	8,766	960	82,277
Unallocated assets						72,389
						154,666
Segment liabilities	(823)	(6,470)	(156)	(777)	(169)	(8,395)
Unallocated liabilities						(1,756)
Total liabilities						(10,151)
Segment capital expenditure	5	827	–	5	–	837
Unallocated capital expenditure						153
Total capital expenditure						990
Segment depreciation	17	1,753	–	72	–	1,842
Unallocated depreciation						257
Total depreciation						2,099
Impairment of goodwill	–	–	–	600	–	600

Notes to the Financial Statements

for the year ended 31 December 2005

6. SEGMENT INFORMATION (continued)

Primary report format – business segments (continued)

	Travel and gaming related business HK$'000	Health and beauty services HK$'000	Money lending HK$'000	Stock broking HK$'000	Trading HK$'000	(Restated) Group HK$'000
2004						
Segment revenue						
– Revenue and turnover	79,399	22,921	4,493	751	1,027	108,591
– Other income	1,611	412	2	119	1	2,145
Unallocated revenue/income						7,917
						118,653
Segment results	155	(7,023)	3,999	(1,290)	(548)	(4,707)
Unallocated revenue/income						7,917
Unallocated costs						(9,621)
Operating loss						(6,411)
Finance costs						(2,138)
Share of profits of associates						7,430
Loss before income tax						(1,119)
Income tax expense						–
Loss for the year						(1,119)
Attributable to:						
Minority interests						(2,776)
Equity holders of the Company						1,657
Loss for the year						(1,119)
Segment assets	6,342	9,685	25,189	16,415	743	58,374
Unallocated assets						82,363
						140,737
Segment liabilities	(381)	(6,560)	(107)	(7,519)	(90)	(14,657)
Unallocated liabilities						(55,627)
Total liabilities						(70,284)
Segment capital expenditure	47	4,122	–	–	–	4,169
Unallocated capital expenditure						67
Total capital expenditure						4,236
Segment depreciation	18	1,493	–	70	–	1,581
Unallocated depreciation						854
Total depreciation						2,435
Amortisation of goodwill	–	–	–	600	–	600
Unallocated amortisation of goodwill						157
Total amortisation of goodwill						757
Impairment of goodwill	–	1,916	–	–	–	1,916

Notes to the Financial Statements

for the year ended 31 December 2005

6. SEGMENT INFORMATION (continued)

Secondary report format – geographical segments

Over 90% of the Group's revenue and contribution to operating loss for the years ended 31 December 2005 and 2004 are attributable to markets in Hong Kong. Accordingly geographical segment information in relation to the Group's revenue and contribution to operating loss has not been presented.

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

	Segment assets		Capital expenditure	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**53,924**	83,725	**990**	4,236
Macau	**92,333**	38,169	**–**	–
Other areas	**8,409**	18,843	**–**	–
	154,666	140,737	**990**	4,236

7. FINANCE COSTS

		(Restated)
	2005	2004
	HK$'000	HK$'000
Interest charges on:		
Bank overdrafts	**–**	6
Convertible notes *(Note 29)*	**48**	2,132
	48	2,138

Notes to the Financial Statements

for the year ended 31 December 2005

8. LOSS BEFORE INCOME TAX

	2005 HK$'000	2004 HK$'000
Loss before income tax is arrived at after crediting:		
Unrealised gains on trading securities*	–	69
Impairment loss on loans receivable written back*	361	–
Other payables written back*	31	–
and after charging:		
Employee benefit expenses *(Note 12)*	16,251	15,414
Amortisation of goodwill*	–	757
Impairment of goodwill*	600	1,916
Depreciation of property, plant and equipment	2,099	2,435
Unrealised loss on financial assets at fair value through profit or loss*	38	–
Loss on disposal of property, plant and equipment	15	40
Operating lease charges in respect of:		
– Land and buildings	6,459	6,162
– Motor vehicles	235	–
	6,694	6,162
Auditors' remuneration	638	563

* *included in other expenses*

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9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profit for the year (2004: Nil).

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

	2005 HK$'000	(Restated) 2004 HK$'000
Loss before income tax	**12,316**	1,119
Tax at applicable rate of 17.5%	**2,155**	196
Tax effect of non-deductible expenses	**(1,101)**	(1,977)
Tax effect of non-taxable revenue	**997**	3,146
Utilisation of tax losses previously not recognised	**125**	682
Tax losses not recognised as deferred tax assets	**(2,000)**	(2,335)
Other temporary differences not recognised	**(176)**	288
Income tax expense	**–**	–

At 31 December 2005, the Group had deferred tax assets of HK$32,040,000 (2004: HK$30,165,000) arising from tax losses. The deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

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

10. LOSS FOR THE YEAR

Of the consolidated loss for the year of HK$12,316,000 (2004 restated: HK$1,119,000), a loss of HK$11,120,000 (2004: HK$1,276,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

for the year ended 31 December 2005

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$12,316,000 (2004 restated: profit of HK$1,657,000) and on the weighted average of 2,274,643,000 (2004: 2,064,960,000) ordinary shares in issue during the year.

The weighted average number of shares for the purposes of calculating basic (loss)/earnings per share for the year has been adjusted to reflect the issue of shares on conversion of convertible notes and rights issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2005 and 2004 was not presented because the impact of the exercise of the convertible notes was anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2005	2004
	HK$'000	HK$'000
Directors' emoluments *(Note 14(a))*	**991**	942
Other staff		
Wages and salaries	**12,601**	11,836
Commission	**1,692**	2,045
Retirement benefit costs	**646**	590
Other staff benefits	**321**	1
	16,251	15,414

13. RETIREMENT BENEFITS

The Group's mandatory provident fund ("MPF Scheme") contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month ("MPF Contribution"). Contribution for certain employees includes the aforesaid MPF Contribution of HK$1,000 per employee plus a corresponding amount of voluntary contribution made by the respective employee ("Voluntary Contribution") up to a maximum of HK$4,000 per employee. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The Group's Voluntary Contributions may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK$1,200 (2004: HK$35,000) were utilised during the year and there was no forfeited contribution available to reduce future contributions at the balance sheet date (2004: Nil).

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

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for the year ended 31 December 2005

13. RETIREMENT BENEFITS (continued)

Total contributions paid by the Group into the MPF Scheme and charged to the consolidated income statement during the year, including contributions to the Directors, amounted to HK$675,000 (2004: HK$616,000).

Contributions totaling HK$47,000 (2004: HK$51,000) were payable to the MPF Scheme at the balance sheet date and are included in other payables and accruals.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

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for the year ended 31 December 2005

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

(a) Directors' emoluments (continued)

	Fees HK$'000	Salaries, allowance and bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Year ended 31 December 2004				
Executive Directors				
Mr. Tsang Chiu Mo Samuel	202	–	–	202
Ms. Chu Ming Tak Evans Tania	–	538	26	564
Mr. Tsang Chiu Ching	176	–	–	176
Independent Non-Executive Directors				
Mr. Yu Yun Kong	–	–	–	–
Mr. Cheung Ka Wai	–	–	–	–
Mr. Hui Yan Kit	–	–	–	–
Mr. Szeto King Pui Albert	–	–	–	–
	378	538	26	942

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 31 December 2005 and 2004.

During the years ended 31 December 2005 and 2004, no emoluments were paid by the Group to the Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

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for the year ended 31 December 2005

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2004: one) Director whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining four (2004: four) highest paid individuals during the year are as follows:

	2005 HK$'000	2004 HK$'000
Salaries, allowances and benefits in kind	**1,872**	1,630
Retirement benefit costs	**83**	75
	1,955	1,705

The emolument of each of the remaining four highest paid individuals fell within the emolument band of nil – HK$1,000,000.

15. GOODWILL

	Group HK$'000
Year ended 31 December 2005	
Gross amount at 1 January 2005	
As previously reported	3,716
Effect of adopting HKFRS 3 *(Note 2.1 (c))*	(3,116)
As restated	600
Accumulated amortisation and impairment at 1 January 2005	
As previously reported	3,116
Effect of adopting HKFRS 3 *(Note 2.1 (c))*	(3,116)
As restated	–
Carrying amount at 1 January 2005	600
Carrying amount at 1 January 2005	600
Impairment during the year	(600)
Carrying amount at 31 December 2005	–
At 31 December 2005	
Restated carrying amount	600
Accumulated impairment	(600)
Net carrying amount	–

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for the year ended 31 December 2005

15. GOODWILL (continued)

Year ended 31 December 2004	
At 1 January 2004	
Gross amount	1,800
Accumulated amortisation and impairment	(600)
Net book amount	1,200
Net book amount at 1 January 2004	1,200
Acquisition of a subsidiary	1,916
Amortisation provided for the year	(600)
Impairment during the year	(1,916)
Net book amount at 31 December 2004	600
At 31 December 2004	
Gross amount	3,716
Accumulated amortisation and impairment	(3,116)
Net book amount	600

At 31 December 2005, before impairment testing, goodwill of HK$600,000 was allocated to the stock broking cash generating unit (CGU) within the stock broking business segment. Due to increased competition in the market and reduced profit margin on the stock broking business, the Group has revised its cash flow forecasts for this CGU and an impairment loss against goodwill of HK$600,000 was recognised during the year.

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for the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold properties in Hong Kong HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
At 1 January 2004				
Cost	850	7,565	5,590	14,005
Accumulated depreciation	–	(6,719)	(3,675)	(10,394)
Net book amount	850	846	1,915	3,611
Year ended 31 December 2004				
Opening net book amount	850	846	1,915	3,611
Additions	–	3,250	986	4,236
Disposal of a subsidiary	(832)	–	–	(832)
Disposals	–	(10)	(34)	(44)
Depreciation	(18)	(1,316)	(1,101)	(2,435)
Closing net book amount	–	2,770	1,766	4,536
At 31 December 2004				
Cost	–	8,144	5,472	13,616
Accumulated depreciation	–	(5,374)	(3,706)	(9,080)
Net book amount	–	2,770	1,766	4,536
Year ended 31 December 2005				
Opening net book amount	–	2,770	1,766	4,536
Additions	–	453	537	990
Disposals	–	(12)	(3)	(15)
Depreciation	–	(1,256)	(843)	(2,099)
Closing net book amount	**–**	**1,955**	**1,457**	**3,412**
At 31 December 2005				
Cost	–	8,460	5,971	14,431
Accumulated depreciation	–	(6,505)	(4,514)	(11,019)
Net book amount	**–**	**1,955**	**1,457**	**3,412**

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17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**86,218**	86,218
Less: Impairment losses	**(33,000)**	(30,000)
	53,218	56,218

Particulars of the subsidiaries of the Company at 31 December 2005 are as follows:

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

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17. INTERESTS IN SUBSIDIARIES (continued)

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

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17. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held by the Company
Held indirectly:				
Grand Mutual Investment Limited	Hong Kong, limited liability company	Provision of management services for the Group in Hong Kong	500,000 Ordinary shares of HK$1 each	100%
Hong Kong Macau Travel Services Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	2 Ordinary shares of US$1 each	100%
Hong Kong Macau Marketing Limited	Macau, limited liability company	Provision of gaming related marketing and public relation services in Macau	MOP100,000	100%
HKM Gaming Management Limited *(Note (c))*	Macau, limited liability company	Gaming management in Macau	MOP100,000	100%
Hong Kong Macau Travel (Macau) Limited *(Note (c))*	Macau, limited liability company	Inactive	MOP1,500,000	100%
HKM Hotels Limited *(Note (c))*	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 Ordinary share of US$1	100%

Notes:

(a) The subsidiary is not audited by Grant Thornton, auditors of the Company, and the net assets of the subsidiary amounted to approximately 6% of the Group's total assets.

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

(c) These companies were newly incorporated during the year.

18. INTEREST IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**54,022**	5,590
Goodwill on acquisition *(Note (e))*	**1,488**	9,253
As 31 December	**55,510**	14,843

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18. INTEREST IN ASSOCIATES (continued)

The movement of goodwill arising from acquisitions of associates in current and prior years is set out below:

	2005 HK$'000	2004 HK$'000
Net book amount at 1 January	9,253	–
Disposal *(Note 34)*	(9,253)	–
Arising from acquisition of an associate	1,488	9,410
Amortisation charge for the year since acquisition	–	(157)
As at 31 December	1,488	9,253

Particulars of the principal associates at 31 December 2005 are as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held
Investgiant Limited *(Notes (a) and (b))*	British Virgin Islands	Investment holding in Hong Kong	2 Ordinary shares of US$1 each	50%
Fastpro Investments Limited *(Notes (a), (b) and (c))*	British Virgin Islands	Investment holding in Hong Kong	2 Ordinary shares of US$1 each	25%
Longnex Limited *(Notes (a), (b) and(d))*	Hong Kong	Ownership and hotel operations in Macau	5,000,000 Ordinary shares of HK$1 each	25%

Notes:

(a) The financial statements of the above associates are coterminous with those of the Group.

(b) On 25 November 2005, the Group completed its acquisition of 50% of the issued share capital of Investgiant Limited ("Investgiant") and 50% of the shareholder's loan due and owing to Century Legend Properties Limited ("CL Properties") from Investgiant (the "Acquisition"), at a consideration of HK$55,707,000. CL Properties was incorporated in the British Virgin Islands with limited liability and is wholly-owned by China Sky. The amount of goodwill arising as a result of the Acquisition was HK$1,488,000 and was included in the carrying amount of interest in associates. The group headed by Investgiant Limited is principally engaged in the ownership and operation of a hotel in Macau.

(c) Fastpro Investments Limited ("Fastpro") is an indirect associate of the Group as it is an associate of Investgiant and accordingly the Group has 25% indirect equity interest.

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for the year ended 31 December 2005

18. INTEREST IN ASSOCIATES (continued)

(d) Longnex Limited is an indirect associate of the Group as it is a wholly-owned subsidiary of Fastpro and Fastpro is an associate of Investgiant, accordingly the Group has 25% indirect equity interest. Longnex Limited is not audited by Grant Thornton, the Company's auditors.

(e) The recoverable amount of the goodwill is determined using discounted cash flows which represent the present value of estimated future cash flows expected to arise from dividends to be received from the associates. The discount rate used reflects specific risks relating to the relevant units. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the carrying amount of goodwill.

The following table illustrates the summarised financial information of the Group's principal associates extracted from their audited/management accounts:

	2005	2004
	HK$'000	HK$'000
Assets	**82,042**	13,005
Liabilities	**93,246**	1
Revenue	**–**	1,811
(Loss)/Profit for the year	**(11,204)**	1,811

19. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Amount due from subsidiaries	**247,881**	150,806
Less: Provision for impairment	**(95,907)**	(88,907)
	151,974	61,899
Less: Portion due within one year included under current assets	**(151,974)**	–
Non-current portion included under non-current assets	**–**	61,899

At 31 December 2005, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current assets.

At 31 December 2004, the amounts due from subsidiaries were unsecured, interest-free and not repayable within twelve months from the balance sheet date. Accordingly, the amounts were classified as non-current assets.

The Directors consider that the carrying amounts of the amounts due from subsidiaries approximate their fair values.

Notes to the Financial Statements

for the year ended 31 December 2005

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
Available-for-sale financial assets:		
Listed equity securities in Hong Kong, at fair value *(Note (a))*	**27**	–
Interest in unincorporated syndicates, at cost *(Notes (b) and (d))*	**35,045**	–
Unlisted equity securities, at cost *(Notes (c) and (d))*	**8,439**	–
Investments:		
Listed equity securities in Hong Kong, at cost *(Note (a))*	**–**	469
Interest in unincorporated syndicates, at cost *(Note (b))*	**–**	35,045
	43,511	35,514
Less: Impairment losses	**–**	(467)
	43,511	35,047

Notes:

(a) Upon the adoption of HKAS 39, the investments in the listed equity securities were designated as available-for-sale financial assets on 1 January 2005. The fair value of the listed equity securities are based on quoted market bid prices available on the Stock Exchange. During the year, the fair value adjustments of the listed equity securities recognised directly in equity amounted to HK$12,000 (2004: Nil).

(b) The Group's interest in unincorporated syndicates represents 15% (2004: 15%) interest in each of the two unincorporated syndicates engaging in gaming intermediary operations at certain casino facilities in Macau. 5% interest in each of the two unincorporated syndicates was acquired from a former shareholder of the Company at the consideration of US$1.5 million (equivalent to HK$11,645,000) on 19 November 2003 and the remaining 10% interest in each of the two unincorporated syndicates was acquired from an independent third party at the consideration of HK$23,400,000 on 4 February 2004. The casino facilities are owned and operated by an independent third party (the "casino operator") who, in accordance with prevailing market practice, has a verbal agreement with the two syndicates that:

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

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

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

In December 2004, China Sky, the then ultimate holding company, acquired 85% interest in each of the unincorporated syndicates from the then syndicate partners of the Company. China Sky was beneficially interested in 43.3% issued share capital of the Company as at 31 December 2005.

Notes to the Financial Statements

for the year ended 31 December 2005

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

(c) Included in the carrying amount of the investments is the cost of investment in Diamond (Subic) Entertainment Limited ("DSE") amounting to US$1 (equivalent to HK$7.8) and an advance of HK$8,409,000 (2004: HK$4,000,000) (Note 22) to DSE. The investment represents interest in unlisted equity share in DSE, a company incorporated in the British Virgin Islands and the advance made to DSE pursuant to an agreement signed by the Group and DSE, the advance is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors of the Company, the Group will not demand for repayment of the advance in the next twelve months from the balance sheet date. The balance also includes the cost of investments of HK$29,000 in unlisted equity securities issued by private entities incorporated in Macau.

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

21. LOANS RECEIVABLE

	Group	
	2005	2004
	HK$'000	HK$'000
In respect of personal and commercial loans		
– secured	**937**	11,278
– unsecured	**11,775**	12,777
Gross loans receivable *(Note (a))*	**12,712**	24,055
Less: Impairment losses	**(1,700)**	(2,100)
Net carrying amount *(Note (b))*	**11,012**	21,955
Less: amounts due within one year	**(10,509)**	(21,276)
Amounts due after one year	**503**	679

Notes to the Financial Statements

for the year ended 31 December 2005

21. LOANS RECEIVABLE (continued)

Notes:

(a) The loans receivable bear interest at fixed annual rate ranging from 8% to 47.1807% (2004: 6% to 47.1807%). The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
On demand	**1,725**	22,039
Three months or less	**152**	254
Over three months but less than one year	**10,332**	1,068
One to four years	**503**	694
	12,712	24,055

(b) The Directors consider that the carrying amounts of loans receivable approximate their fair values.

22. ADVANCE TO AN INVESTEE COMPANY

As at 31 December 2004, the advance is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors of the Company, the investee company will not fully repay the advance in the next twelve months from the balance sheet date and, accordingly, the advance has been classified as non-current assets. Upon the adoption of HKAS 39, the advance is reclassified as available-for-sale financial assets (Note 20(c)).

23. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Finished goods, at cost	**2,908**	145
Consumable stocks, at cost	**256**	301
	3,164	446

The cost of inventories recognised as expense and included in cost of sales amounted to HK$36,380,000 (2004: HK$79,856,000).

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for the year ended 31 December 2005

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/TRADING SECURITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Listed equity securities in Hong Kong held for trading, at fair value	**82**	105

The trading securities were reclassified as financial assets at fair value through profit or loss.

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

25. TRADE AND OTHER RECEIVABLES

	Group	
	2005	2004
	HK$'000	HK$'000
Trade receivables *(Note)*	**5,729**	8,892
Other receivables and deposits	**4,319**	3,531
	10,048	12,423

Note:

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

	Group	
	2005	2004
	HK$'000	HK$'000
0-30 days	**5,085**	7,653
31-60 days	**58**	488
61-90 days	**39**	123
Over 91 days	**547**	628
Total trade receivables	**5,729**	8,892

The fair values of the Group's trade and other receivables at the balance sheet dates approximate their corresponding carrying amounts.

Notes to the Financial Statements

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26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	Group	
	2005	2004
	HK$'000	HK$'000
Cash at banks and in hand	**15,130**	46,782
Short-term bank deposits	**12,797**	–
	27,927	46,782

	Company	
	2005	2004
	HK$'000	HK$'000
Cash at banks and in hand	**1,935**	23,195
Short-term bank deposits	**12,797**	–
	14,732	23,195

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term bank deposits are placed with the banks and earn interest at the respective short-term bank deposit rates ranging from 0.05% to 3.395%. The carrying amount of the cash and cash equivalents approximates its fair value.

27. TRADE PAYABLES

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

	Group	
	2005	2004
	HK$'000	HK$'000
0-30 days	**1,032**	7,768
31-60 days	**123**	137
61-90 days	**15**	1
Over 91 days	**6**	34
	1,176	7,940

The fair values of the Group's trade payables at the balance sheet dates approximate their corresponding carrying amounts.

Notes to the Financial Statements

for the year ended 31 December 2005

28. AMOUNTS DUE TO INVESTEE COMPANIES

The amounts due are unsecured, interest-free and without fixed terms of repayment.

29. CONVERTIBLE NOTES

On 15 January 2004, the Group issued convertible notes of aggregate principal amount of HK$45,000,000 with maturity date on 14 January 2007, which are interest-bearing at 3% per annum. The convertible notes can be converted into ordinary shares of the Company at a conversion price of HK$0.3 per share (subject to adjustments from time to time in accordance with the provisions set out in the subscription agreement) during the period from 15 January 2005 to 14 January 2007. The total number of shares of the convertible notes will change with the change of conversion price of the convertible note from year to year. The net proceeds from the issue are for general working capital of the Group and other investment opportunities in the gaming and entertainment industry that the Group may identify from time to time.

On 2 September 2004, an agreement was entered into between a note holder and the Group for early redemption of a convertible note with principal amount of HK$3,000,000. The redemption constitutes an amendment to the terms and conditions of the convertible note; however, the Group has given consent to the early redemption as the Directors considered that the redemption amount would not have material impact on the financial position and cash flow of the Group.

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

The convertible notes contain two components, liability and equity components. Upon the adoption of HKAS 32 Financial Instruments: Disclosure and Presentation (Note 2.1(b)), the convertible notes were split between the liability and equity components, on a retrospective basis.

The fair values of the liability components of the Group's convertible notes were estimated at the issuance date using equivalent market interest rates for similar notes without a conversion option. The residual amounts, after deducting the fair values of the liability components from the fair value of the convertible notes instrument as a whole, representing the values of the equity components, are included in equity as convertible note equity reserve.

If the convertible notes had not been converted, they would be redeemed on 14 January 2007 at its principal amount, plus accrued interest thereon. Interest of 3% will be paid/payable annually until the settlement date.

Notes to the Financial Statements

for the year ended 31 December 2005

29. CONVERTIBLE NOTES (continued)

The convertible notes recognised in the balance sheet are calculated as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Fair value of convertible notes issued on 15 January 2004	41,770	3,230	45,000
Interest expense *(Note 7)*	2,132	–	2,132
Early redemption	(2,785)	(215)	(3,000)
Fair value of convertible notes at 31 December 2004 and 1 January 2005	41,117	3,015	44,132
Interest expense *(Note 7)*	48	–	48
Interest paid	(1,317)	–	(1,317)
Conversion into ordinary shares	(39,848)	(3,015)	(42,863)
At 31 December 2005	**–**	**–**	**–**

30. SHARE CAPITAL

	Ordinary shares of HK$0.01 each No. of shares	HK$'000
Authorised:		
At 31 December 2004 and **31 December 2005**	**40,000,000,000**	**400,000**
Issued and fully paid:		
At 1 January 2004 and 31 December 2004	2,064,960,000	20,650
Shares issued on conversion of convertible notes *(Note 29)*	139,999,994	1,400
Rights shares issued at premium *(Note (a))*	440,991,998	4,410
At 31 December 2005	**2,645,951,992**	**26,460**

Note:

(a) A special resolution was passed on 12 August 2005 to approve a rights issue on the basis of one rights share for every five existing shares held by the shareholders on the register of members on 7 November 2005, at an issue price of HK$0.11 per rights share (the "Rights Issue"), resulting in the issue of 440,991,998 ordinary shares of HK$0.01 each for a total cash consideration, before share issue expenses, of approximately HK$48,500,000. The proceeds of the Rights Issue were used to finance the Group's acquisition of an associate and for general working capital of the Group. The new shares rank pari passu with the existing shares in all respects. The Rights issue has become unconditional on 25 November 2005. Further details of the Rights Issue are also set out in the prospectus of the Company dated 7 November 2005 and the announcement of the Company made on 28 November 2005.

Notes to the Financial Statements

for the year ended 31 December 2005

31. RESERVES

Group

	Attributable to the equity holders of the Company					Minority interests	
	Share premium HK$'000	Capital reserve HK$'000 *(Note (a))*	Available-for-sale financial assets revaluation reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	HK$'000	Total HK$'000
Balance at 1 January 2004, as previously reported as equity	40,098	146,189	–	–	(141,156)	–	45,131
Balance of minority interests at 1 January 2004, now included as equity	–	–	–	–	–	860	860
Balance at 1 January 2004, as restated	40,098	146,189	–	–	(141,156)	860	45,991
Acquisition of minority interest	–	–	–	–	–	1,916	1,916
Profit/(Loss) for the year, as restated	–	–	–	–	1,657	(2,776)	(1,119)
Initial recognition of equity component of convertible notes on adoption of HKAS 32	–	–	–	3,230	–	–	3,230
Released upon early redemption of convertible notes	–	–	–	(215)	–	–	(215)
Balance at 31 December 2004 and 1 January 2005, as restated	40,098	146,189	–	3,015	(139,499)	–	49,803
Opening adjustment on adoption of HKAS 39	–	–	–	–	37	–	37
Balance at 1 January 2005, as restated	40,098	146,189	–	3,015	(139,462)	–	49,840
Conversion of convertible notes *(Note 29)*	41,463	–	–	(3,015)	–	–	38,448
Rights issue *(Note 30 (a))*	44,099	–	–	–	–	–	44,099
Share issue expenses	(2,004)	–	–	–	–	–	(2,004)
Fair value adjustment on available-for-sale financial assets	–	–	(12)	–	–	–	(12)
Loss for the year	–	–	–	–	(12,316)	–	(12,316)
Balance at 31 December 2005	**123,656**	**146,189**	**(12)**	**–**	**(151,778)**	**–**	**118,055**

Notes to the Financial Statements

for the year ended 31 December 2005

31. RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000 *(Note (b))*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	40,098	213,978	(132,482)	121,594
Loss for the year	–	–	(1,276)	(1,276)
At 31 December 2004 and 1 January 2005	40,098	213,978	(133,758)	120,318
Conversion of convertible notes *(Note 29)*	41,463	–	–	41,463
Rights issue *(Note 30(a))*	44,099	–	–	44,099
Share issue expenses	(2,004)	–	–	(2,004)
Loss for the year	–	–	(11,120)	(11,120)
At 31 December 2005	**123,656**	**213,978**	**(144,878)**	**192,756**

Notes:

(a) Capital reserve of the Group represents:

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

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

(b) Contributed surplus of the Company represents:

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

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

Under the Bermuda Companies Act, the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Notes to the Financial Statements

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32. OPERATING LEASE COMMITMENTS

At the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases were payable by the Group as follows:

	Group			
	Land and buildings		Motor vehicles	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,047**	6,238	**111**	–
In the second to fifth years inclusive	**1,670**	7,580	**–**	–
	7,717	13,818	**111**	–

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

At the balance sheet dates, the total future minimum sublease payments expected to be received under non-cancellable sublease amounted to HK$583,000 (2004: HK$1,219,000).

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

33. RELATED PARTY TRANSACTIONS

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

Notes to the Financial Statements

for the year ended 31 December 2005

33. RELATED PARTY TRANSACTIONS (continued)

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

(a) Purchase of goods

	2005 HK$'000	2004 HK$'000
Purchase of entertainment packages from Longnex Limited ("Longnex"), an associate of the Group	6,900	–

Purchases from Longnex were made in the normal course of business and according to the prices and terms similar to those charged to and contracted with other parties.

(b) Compensation of key management personnel

Included in staff costs are key management personnel compensation and comprises the following categories:

	2005 HK$'000	2004 HK$'000
Short term employee benefits	2,745	2,573
Post-employment benefits	113	102
	2,858	2,675

(c) Underwriting Commission

	2005 HK$'000	2004 HK$'000
Underwriting commission paid to Barsmark	763	–

Notes to the Financial Statements

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33. RELATED PARTY TRANSACTIONS (continued)

(c) Underwriting Commission (continued)

Pursuant to the underwriting agreement dated 12 August 2005 (the "Underwriting Agreement") entered into between the Company and Barsmark (the "Underwriter"), the Company agreed to pay the Underwriter a commission of 2.5% of the aggregate subscription price in respect of the all underwritten shares related to a rights issue of 440,991,998 right shares at HK$0.11 per Right share as detailed in note 30.

Barsmark, which is wholly and beneficially owned by China Sky, which in turn is ultimately and beneficially owned as to one third by each of Mr. TSANG Chiu Mo Samuel, Mr. TSANG Chiu Ching, Executive Directors of the Company, and Ms. TSANG Chiu Yuen, Sylvia, sister of Mr. TSANG Chiu Mo Samuel and Mr. TSANG Chiu Ching.

34. DISPOSAL OF AN ASSOCIATE

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

	2005 **HK$'000**	2004 HK$'000
Share of net assets disposed of	**5,590**	–
Carrying amount of goodwill arising from the acquisition of an associate *(Note 18)*	**9,253**	–
Loss on disposal of an associate	**(1,238)**	–
Total consideration satisfied by cash	**13,605**	–

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(a) Foreign currency risk

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

Notes to the Financial Statements

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(b) Interest rate risk

The Group has no significant interest rate risk as the Group has no borrowings which bear floating interest rates.

(c) Other price risk

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

Credit risk

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

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

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

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

36. CAPITAL COMMITMENTS

The Group and the Company had no significant capital commitments as at the balance sheet dates.

37. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at the balance sheet dates.

38. SUBSEQUENT EVENTS

On 24 March 2006, two investee companies of the Group entered into written agreements with the casino operator in connection with the gaming intermediary operations that were run by the two unincorporated syndicates in which the Group has 15% interest (Note 20(b)), to take up the gaming intermediary operations with immediate effect.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements restated upon the adoption of the new and revised HKFRS and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	For the year ended 31 December				
				(Restated)	
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue and turnover	21,330	57,156	60,157	108,591	**54,952**
Profit/(Loss) for the year	(24,511)	(20,762)	(5,429)	1,657	**(12,316)**

ASSETS AND LIABILITIES

	As at 31 December				
				(Restated)	
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	229,630	86,506	122,348	140,737	**154,666**
Total liabilities	(142,549)	(13,640)	(55,707)	(70,284)	**(10,151)**
Shareholders' funds	87,081	72,866	66,641	70,453	**144,515**