

ANNUAL REPORT  
**2004/2005**



**Emperor Entertainment Hotel Limited**

(Incorporated in Bermuda with limited liability)

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## CORPORATE INFORMATION

### DIRECTORS

Luk Siu Man, Semon\* (*Chairperson*)

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

Chan Sim Ling, Irene\*\*

Lam San Keung\*\*

Chan Wiling, Yvonne\*\*

\* Non-executive Director

\*\* Independent Non-executive Directors

### COMPANY SECRETARY

Mok Fung Lin, Ivy, LL.B (Hons), P. C. LL, MBA

### QUALIFIED ACCOUNTANT

Tong Pui Hung, Joanna, CPA

### AUDIT COMMITTEE

Chan Sim Ling, Irene (*Chairperson*)

Lam San Keung

Chan Wiling, Yvonne

### REMUNERATION COMMITTEE

Wong Chi Fai (*Chairman*)

Chan Sim Ling, Irene

Chan Wiling, Yvonne

### AUDITORS

Deloitte Touche Tohmatsu

### REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM11

Bermuda

### PRINCIPAL OFFICE

28th Floor

Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

### REGISTRARS (in Bermuda)

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

### REGISTRARS (in Hong Kong)

Secretaries Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

Bank of China

Liu Chong Hing Bank

### AMERICAN DEPOSITARY BANK

The Bank of New York

Investor Services

P.O. Box 11258

Church Street Station

New York, NY 10286-1258

### WEBSITE

[http:// www.emperor.com.hk](http://www.emperor.com.hk)

### STOCK CODE

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Emperor Entertainment Hotel Limited (the “Company”) will be held at 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 25th August, 2005 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2005.
2. To re-elect retiring directors, to fix directors’ remuneration and to grant power to the board of directors to appoint additional director(s).
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) **“THAT**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to a Rights Issue or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed twenty per cent. of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and
- (iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;

## NOTICE OF ANNUAL GENERAL MEETING

- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong),”

(B) **“THAT**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the share capital which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and
- (iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.”

## NOTICE OF ANNUAL GENERAL MEETING

- (C) “**THAT** conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4(A) above.”

By Order of the Board  
**Mok Fung Lin, Ivy**  
*Company Secretary*

Hong Kong, 22nd July, 2005

*Registered Office:*

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

*Principal Office:*

28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wanchai  
Hong Kong

*Notes:*

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) In order to be valid, the form of proxy must be deposited at the principal office of the Company at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (iii) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

## **BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES**

### **LUK SIU MAN, SEMON**

#### **Non-executive Director and Chairperson**

Aged 49, graduated from The University of Toronto with a bachelor degree in Commerce. She worked in the banking industry for almost 10 years. She is also the chairperson of Emperor International Holdings Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Emperor Entertainment Group Limited, the shares of which are listed on Growth Enterprise Market ("GEM") of the Stock Exchange. She joined the Group in March 2000.

### **WONG CHI FAI**

#### **Executive Director**

Aged 49, is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is also the joint managing director of Emperor International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange and a director of Emperor Entertainment Group Limited, the shares of which are listed on GEM of the Stock Exchange. He joined the Group in 1991.

### **FAN MAN SEUNG, VANESSA**

#### **Executive Director**

Aged 42, is a lawyer in Hong Kong by profession and a registered accountant. She also holds a master degree in Business Administration. She is the joint managing director of Emperor International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange and a director of Emperor Entertainment Group Limited, the shares of which are listed on GEM of the Stock Exchange. She joined the Group in 1991.

## **BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES**

### **MOK FUNG LIN, IVY**

#### **Executive Director and Company Secretary**

Aged 40, is a lawyer by profession in Hong Kong and the United Kingdom, and holds a master degree in Business Administration. She is also a director of Emperor International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. She joined the Group in 1993 as Legal Consultant and was appointed executive director of the Company in February 2000.

### **CHAN SIM LING, IRENE**

#### **Independent Non-executive Director**

Aged 42, graduated from The University of Hong Kong with a bachelor degree in Laws in 1985. She was appointed independent non-executive director in May 1998.

### **LAM SAN KEUNG**

#### **Independent Non-executive Director**

Aged 43, graduated from the University of Essex in England with a bachelor degree in Laws in 1984. He is a solicitor practising in Hong Kong and is a partner of Lam, Lee & Lai. He was appointed independent non-executive director in September 1998.

### **CHAN WILING, YVONNE**

#### **Independent Non-executive Director**

Aged 40, graduated from the Hong Kong Polytechnic University in 1987 majoring in accountancy. She obtained a master degree in Business Administration from Heriot-Watt University in Scotland in 1996. She is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. She has over seventeen years of experience in accounting, auditing and information security fields and previously worked in two international accounting firms, Touche Ross & Co. and Ernst & Young. She was appointed independent non-executive director in September 2004.



## CHAIRPERSON'S STATEMENT

For the year ended 31st March 2005, the Company changed its name from Emperor (China Concept) Investments Limited and the Company and its subsidiaries (collectively referred to as "the Group") repositioned itself as a gaming platform. Boosted by leasing of the casino area of its cruise ship named "Golden Princess", the Group's turnover reached approximately HK\$18.2 million, as compared with no turnover in the previous year. No turnover was recorded in the previous year because the property development project in Shanghai, the People's Republic of China (the "PRC") was still in investment stage.

The Group recorded a net profit of approximately HK\$17.6 million, attributable mainly to the recovery of approximately HK\$15.2 million, being part of the deposit paid for the purchase of Hong Tai Building, Chongqing. The net profit for the previous year in the sum of approximately HK\$86.4 million on the other hand was mainly attributable to the reversal of impairment loss of property under development and reversal of allowance for doubtful recovery of loan receivable from a minority shareholder.

### DIVIDEND

The board of directors (the "Board") did not recommend payment of dividend for the year ended 31st March, 2005.

### OPERATION REVIEW

The development projects and investment of the Group were as follows:

#### Cruise and cruise related activities

This segment recorded turnover of approximately HK\$18.2 million and profit of approximately HK\$6.1 million.

On 15th February 2005, the Group acquired a cruise ship, "Golden Princess", from Pleasure Road Profits Limited ("Pleasure Road"), a company in which a deemed substantial shareholder of the Company is interested. The consideration of the vessel was US\$17 million (equivalent to approximately HK\$132.6 million), which had been satisfied by allotment and issue of 104,409,000 new shares of HK\$0.0001 each of the Company at the price of HK\$1.27 per share.

Turnover of this segment was mainly derived from leasing of the casino area of Golden Princess to a casino operator at a monthly rent of HK\$9.0 million plus 30% of the net profit of the casino operation.

#### Hotel and gaming operations

On 25th January, 2005, from Lion Empire Investments Limited ("Lion Empire"), a company in which a deemed substantial shareholder of the Company is interested, the Group acquired indirectly 45% interests in a development project of a hotel with casino operations in Macau.

## CHAIRPERSON'S STATEMENT

The hotel, located in the city centre of Macau, formerly an office premises, is currently under renovation. There will be about 300 hotel rooms, retail facilities and gaming facilities including gaming tables and slot machines. The gaming operation is scheduled to commence as early as September 2005 while the hotel is expected to be fully operational by the end of 2005.

### Property sales and development

This segment recorded a profit of approximately HK\$17.2 million mainly from the recovery of part of deposit paid for the purchase of Hong Tai Building, Chongqing. There was no sales of property during the year.

#### *Yu Yuan, Shanghai*

The Group previously held 90% interests in a development project in Yu Yuan, Shanghai. On 9th June, 2004, the Group acquired the remaining 10% interests from its joint venture partner at a consideration comprising waiver of approximately HK\$37.8 million in liabilities due by the joint venture partner to the Group in relation to the project and repayment of the initial investment by the joint venture partner in the project in the amount of HK\$16.0 million.

On 26th May, 2004, the Group entered into a cooperative joint venture agreement with Shenzhen Lianhe Jinhao Investment Development Co., Ltd. ("JV Partner") in which both parties agreed to jointly develop the property in Yu Yuan, Shanghai, with the JV Partner being responsible for the construction works of the project in return for entitlement to 50% of the floor area of the completed development.

The Group planned to develop the property into a commercial complex featuring a shopping arcade. The project had a groundbreaking ceremony in June 2005 and is scheduled to complete in early 2007.

#### *Hong Tai Building, Chongqing*

The Group had entered into an agreement with Chongqing Hong Tai Property Development Co., Ltd. ("Hong Tai") to acquire certain units and car parking spaces at Hong Tai Building in Chongqing. However, the construction works of the building had been suspended. In view of the prolonged suspension of the development, a full provision for the deposit paid of HK\$25.9 million was made in previous years.

During the year, a court judgment was issued ordering Hong Tai to refund the deposit together with accrued interest to the Group and the Group recovered part of the deposit paid for the purchase of Hong Tai Building in the amount of approximately HK\$15.2 million.

## CHAIRPERSON'S STATEMENT

### CAPITAL STRUCTURE

During the year, as a result of the following corporate exercises, the authorised and issued share capital of the Company became 2,000,000,000,000 shares and 928,771,980 shares of HK\$0.0001 each as compared with 200,000,000,000 shares and 11,006,883 shares of HK\$0.001 each as at the end of the last financial year.

### Changes for the Year

#### *Placing of New Shares*

On 6th December, 2004, prior to share subdivision as set out below becoming effective, the Company placed in aggregate 2,200,000 new shares at the price of HK\$10 per share to an independent placing agent ("Placing").

#### *Share Subdivision*

On 3rd January, 2005, the Company subdivided each issued and unissued share into ten subdivided shares, as a result of which the par value of each share of the Company was adjusted from HK\$0.001 to HK\$0.0001.

#### *Rights Issue of Shares*

On 21st January, 2005, the Company issued 660,344,150 rights shares at the price of HK\$0.68 per rights share ("Rights Issue"), on the basis of five rights shares for every one subdivided share.

#### *Subscription of New Shares*

On 7th February, 2005, a minority shareholder of the Group subscribed for 31,950,000 new subdivided shares of the Company at the price of HK\$2.88 per share ("Subscription").

#### *Allotment and Issue of Shares*

As mentioned under the "Operation Review" section, the Company allotted and issued 104,409,000 new subdivided shares at the price of HK\$1.27 per share to Pleasure Road for settlement of the consideration for acquisition of Golden Princess.

### USE OF PROCEEDS

After the Placing, the Rights Issue and the Subscription (collectively referred to as "Fund Raising Exercises"), the Group received net proceeds in aggregate of approximately HK\$558.1 million. Up to the end of the year, the Company utilised approximately HK\$162.0 million for acquisition of 90% interests in a subsidiary; approximately HK\$10.3 million for repayment of all advances from a related company; and approximately HK\$14.1 million for the Group's general working capital. The unused proceeds at the end of the year amounted to approximately HK\$371.7 million.

## CHAIRPERSON'S STATEMENT

### LIQUIDITY AND FINANCIAL RESOURCES

Prior to the Fund Raising Exercises, the Group mainly funded its operations and capital expenditure through advances from a related company. The Fund Raising Exercises enabled the Group to raise sufficient working capital for its own requirements. As stated in the "Use of Proceeds" section above, the Group had utilised part of the net proceeds to repay the advances from the related company. Whereas, upon the acquisition of the remaining 10% interests in a subsidiary, the Group had fully repaid advances from another related company and taken advances from a minority shareholder of this subsidiary.

As at 31st March, 2005, the Group's current assets and current liabilities were approximately HK\$533.3 million and HK\$14.1 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) increased from 12% in the previous year to 19% this year, which was mainly due to the increase in advances from minority shareholders through the acquisition of 90% interests in a subsidiary.

Save as disclosed above and trade and other payables and accrued charges, the Group had no other external borrowings as at 31st March, 2005. Bank balances and cash on hand of the Group as at the same date totalled approximately HK\$526.0 million, which were denominated in Hong Kong dollars and Reminbi. During the year, the Group had no significant exposure to foreign exchange rate fluctuation.

Shortly after the end of the year, the Group was granted a loan facility by a bank amounting to HK\$400.0 million for funding the development of the new hotel project in Macau.

With sufficient bank balances and cash on hand as well as the loan facility, the directors of the Company believe the Group has sufficient working capital for its operation and future development.

### CAPITAL COMMITMENTS

As at 31st March, 2005, the Group had total commitments of approximately HK\$1,102.5 million, of which approximately HK\$512.8 million was for property and hotel development projects in Shanghai and Macau; approximately HK\$451.5 million was for acquisition of a subsidiary in Macau; and approximately HK\$138.2 million was for purchase of property, plant and equipment.

### NUMBER AND REMUNERATION OF EMPLOYEES

With the new hotel project in Macau in progress and the Group diversifying its business through the acquisition of Golden Princess, the Group employed 320 staff as at 31st March, 2005. Total staff costs, including directors' remuneration, for the year were approximately HK\$5.8 million. The management would continue to monitor the progress of the projects and recruit new staff when appropriate.

To provide incentives or rewards to staff, the Company adopted a share option scheme on 2nd September, 2002. No option had been granted so far.

## CHAIRPERSON'S STATEMENT

### PROSPECTS

The Group has repositioned itself to focus on gaming and entertainment operations. Targeting medium to high rollers, the Macau hotel is scheduled to open by the end of 2005 . With relevant knowledge in the Macau gaming market, the Group is confident of securing a significant market share despite the intense competition with new players joining.

The Group expects to also benefit from the booming commercial property market in the PRC. It involves in a 50:50 joint venture in Yu Yuan, Shanghai - the Star City project. Located in China's wealthiest city, the Star City project has a total site area of 22,870 sq.m. and gross area of approximately 114,000 sq.m.. Housing a shopping arcade with direct access to the city's MRT system, it will offer all kinds of retail and entertainment facilities when it opens in early 2007. The Group contributed only the land, while the JV partner is responsible for the construction costs. The Group hopes to enjoy lucrative returns from the project and an ownership of put option fully covers any potential risk in this project.

Meanwhile, the Group is also looking at potential business opportunities worldwide. It hopes to maximise returns for shareholders and looks forwards to declaring dividend in near future.

By Order of the Board

**Luk Siu Man, Semon**

*Chairperson*

Hong Kong

11th July, 2005

## **DIRECTORS' REPORT**

The directors of the Company present their annual report and the audited financial statements for the year ended 31st March, 2005.

### **CHANGE OF NAME**

Pursuant to a special resolution passed by the Company's shareholders in a special general meeting held on 3rd January, 2005, the name of the Company was changed from Emperor (China Concept) Investments Limited to Emperor Entertainment Hotel Limited with effect from 4th January, 2005.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the financial statements.

### **RESULTS**

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 23.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment which mainly included a vessel, at cost of approximately HK\$134.1 million for the cruise business.

Details of changes in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

### **SHARE CAPITAL**

Details of the changes in share capital of the Company are set out in note 21 to the financial statements.

### **RESERVES**

Details of movements in the reserves of the Group and the Company during the year are set out on page 26 and in note 23 to the financial statements.

## DIRECTORS' REPORT

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### Non-executive director:

Luk Siu Man, Semon (*Chairperson*) (redesignated as a non-executive director on 11th July, 2005)

#### Executive directors:

Luk Siu Man, Semon (*Chairperson*) (redesignated as a non-executive director on 11th July, 2005)

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

#### Independent non-executive directors:

Chan Sim Ling, Irene

Lam San Keung

Chan Wiling, Yvonne (appointed on 15th September, 2004)

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms. Chan Wiling, Yvonne ("Ms. Yvonne Chan") would retire at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, all other directors, other than Ms. Yvonne Chan who would retire in accordance with Bye-law 86(2), would retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

#### (a) Long position in shares of the Company

Name of director	Nature of interests	Number of ordinary shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note)	Family	310,137,600	33.39%

*Note:* The shares were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"), an indirect wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL was a company with its shares listed in Hong Kong; 57.91% of the shares of EIHL were registered in the name of Charron Holdings Limited ("Charron") and 11.57% of the shares of EIHL were registered in the name of Pleasure Road. The entire issued share capital of Charron and Pleasure Road were respectively held by The A&A Unit Trust and The A&S Unit Trust both under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 310,137,600 shares held by Worthy Strong. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 310,137,600 shares held by Worthy Strong.

#### (b) Long position in shares of associated corporation

Name of associated corporation	Nature of interests	Number of ordinary shares held	Percentage holding
Great Assets Holdings Limited ("Great Assets") (Note)	Family	5	10%

*Note:* Great Assets was owned as to 90% by the Company and as to 10% by Lion Empire. The entire issued share capital of Lion Empire was held by The A&S Unit, a unit trust under the Trust, of which Mr. Albert Yeung was the founder. Mr. Albert Yeung was deemed to be interested in the shares of Great Assets held by Lion Empire. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the shares of Great Assets held by Lion Empire.



## **DIRECTORS' REPORT**

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (continued)**

Save as disclosed above, as at 31st March, 2005, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

### **SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Details of the Company's share option scheme are set out in note 22 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in paragraphs 3 and 4 in "Connected Transactions" below, there was no contract of significance to which the Company, or any of its subsidiaries 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.

### **CONNECTED TRANSACTIONS**

1. During the period up to the date of acquisition of the remaining 10% interests in Expert Pearl Investments Limited ("Expert Pearl") by the Group on 9th June, 2004 ("Acquisition"), the Group was entitled to interest income of approximately HK\$355,000 from Star City Entertainment Holdings Limited ("Star City"), which previously owned 10% equity interests in Expert Pearl. The Group also provided short-term advances amounting to approximately HK\$140,000 to Star City.

The advances were unsecured, bore interest at 1% over Hong Kong prime interest rate and had no fixed terms of repayment. On 9th June, 2004, the total outstanding balance of and the interest accrued for these advances were waived by the Group as part of the consideration for the Acquisition, detail of which was disclosed in paragraph 2 below.

## DIRECTORS' REPORT

### CONNECTED TRANSACTIONS (continued)

2. On 9th June, 2004, the Group completed the Acquisition from Star City through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City, inclusive of the Star City Loan, as defined below, which was reassigned to Star City by Future Gain Investments Limited ("Future Gain"), a related company of the Group. The Star City Loan represented the loan advance of HK\$16,000,000 to Expert Pearl by Star City pursuant to the shareholders deed dated 10th July, 1995, which was subsequently assigned to Future Gain by Star City pursuant to three deeds dated 25th August, 1998, 31st August, 1999 and 15th May, 2001, respectively.

As consideration, the Group repaid Star City HK\$16,000,000 being the initial investment contributed by Star City to Expert Pearl, such payment was made to Future Gain as directed by Star City and the Group waived all liabilities of Star City in the principal sum of approximately HK\$17,658,000 and all interest thereon of approximately HK\$20,172,000, amounted in aggregate to approximately HK\$37,830,000 owed to the Group as at 9th June, 2004.

3. On 25th January, 2005, the Group completed the acquisition of 90% interests in Great Assets from Lion Empire, a company which was indirectly wholly-owned by the Trust, through the acquisition of the 45 shares registered in the name of Lion Empire ("Sale Shares"), representing 90% of the entire issued share capital of Great Assets, and the 90% of all outstanding loans due from Great Assets to Lion Empire as at 25th January, 2005 which amounted to approximately HK\$162,041,000 ("Sale Debt").

The consideration for the Sale Shares and the Sale Debt were US\$45 (equivalent to HK\$351) and approximately HK\$162,041,000 respectively.

4. On 15th February, 2005, the Group completed the acquisition of the vessel named Golden Princess (together with all furniture and fittings on board, slot machines and other gambling equipment in the casino area) from Pleasure Road, a company which was indirectly owned by the Trust. The consideration of the vessel was US\$17 million (equivalent to approximately HK\$132,599,000) which was satisfied by the allotment and issue of 104,409,000 new shares of HK\$0.0001 each of the Company to Pleasure Road at the price of HK\$1.27 per share.

## DIRECTORS' REPORT

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2005, so far as is known to any director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

#### Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage of holding
EIHL ( <i>Note 1</i> )	Interest in a controlled corporation	310,137,600	33.39%
Charron ( <i>Note 1</i> )	Interest in a controlled corporation	310,137,600	33.39%
Jumbo Wealth Limited ( <i>Note 1</i> )	Trustee	310,137,600	33.39%
GZ Trust Corporation (“GZ Trust”) ( <i>Note 1</i> )	Trustee	310,137,600	33.39%
Mr. Albert Yeung ( <i>Note 1</i> )	Founder of the Trust	310,137,600	33.39%
OZ Management, L.L.C. ( <i>Note 2</i> )	Investment manager	69,581,387	7.49%
Deutsche Bank Aktiengesellschaft	Beneficial owner	55,935,000	6.02%

#### Notes:

- The shares were registered in the name of Worthly Strong, an indirect wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 57.91% of the shares of EIHL were registered in the name of Charron and 11.57% of the shares of EIHL were registered in the name of Pleasure Road. The entire issued share capital of Charron and Pleasure Road were respectively held by The A&A Unit Trust and The A & S Unit Trust both under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 310,137,600 shares held by Worthly Strong. The above shares were the same shares as those set out in “Directors’ and Chief Executives’ Interests and Short Positions in Securities” above.
- Out of 69,581,387 shares, OZ Management, L.L.C. had derivative interests of 45,346,387 shares in the Company.

Save as disclosed above, as at 31st March, 2005, so far as is known to the directors or chief executives of the Company, no other person (not being a director or chief executive of the Company) had any interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

## **DIRECTORS' REPORT**

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **MAJOR SUPPLIERS AND CUSTOMERS**

During the year, the five largest customers of the Group accounted for approximately 98% of the turnover of the Group. The largest customer accounted for approximately 98% of the Group's turnover and was held as to 28% of its issued share capital by a deemed substantial shareholder of the Company as at 31st March, 2005.

During the year, the aggregate amount of purchases and services received attributable to the Group's five largest suppliers represented approximately 61% of the Group's total purchases and services received. The largest supplier accounted for approximately 17% of the Group's total purchases and services received for the year.

Save as disclosed above, none of the directors of the Company, their associates or any shareholders which, to the knowledge of the directors of the Company, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

### **CORPORATE GOVERNANCE**

The Company had complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific terms as set out in Appendix 14 of the Listing Rules, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-laws of the Company.

The board practices and procedures were replaced by the Code on Corporate Governance Practices which came into effect on 1st January, 2005. Appropriate actions are being taken by the Company in complying with the Code.

### **MODEL CODE FOR SECURITIES**

The Company had adopted the Model Code as its written guidelines on the "Model Code for Securities Transactions by Directors and Employees". Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors and employees adopted by the Company.

## DIRECTORS' REPORT

### BOARD PRACTICES

The Company had received an annual confirmation of independence from each of the independent non-executive directors of the Company pursuant to Rule 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive directors of the Company met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference comprising the three independent non-executive directors of the Company, namely Ms. Chan Sim Ling, Irene (Chairperson of the audit committee), Mr. Lam San Keung and Ms. Chan Wiling, Yvonne. The principal duties of the audit committee included the review and supervision of the Group's financial reporting system, internal control procedures, the Group's financial information and relationship with the auditors of the Company.

The audit committee held two meetings during the year. The audit committee also reviewed and commented on the Company's draft annual and interim financial reports and met with the external auditors.

### REMUNERATION COMMITTEE

The Company established a remuneration committee, comprising a majority of independent non-executive directors of the Company, with written terms of reference. The remuneration committee comprised Mr. Wong Chi Fai (Chairman of the remuneration committee), Ms. Chan Sim Ling, Irene and Ms. Chan Wiling, Yvonne.

The principal responsibilities of the remuneration committee included making recommendations to the board of directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 34 to the financial statements.

### AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong  
11th July, 2005

## AUDITORS' REPORT



**TO THE SHAREHOLDERS OF EMPEROR ENTERTAINMENT HOTEL LIMITED  
(FORMERLY KNOWN AS EMPEROR (CHINA CONCEPT) INVESTMENTS LIMITED)**  
*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 23 to 58 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 Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. 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 judgments made by the directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed 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 reason assurance as to whether the financial statements are free from material misstatement. 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.

## AUDITORS' REPORT

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

11th July, 2005

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2005

	<i>Notes</i>	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Turnover		<b>18,236</b>	–
Cost of sales		<b>(470)</b>	–
Direct operating expenses		<b>(6,355)</b>	–
Gross profit		<b>11,411</b>	–
Other operating income		<b>3,348</b>	12,716
Selling and marketing expenses		<b>(328)</b>	–
Administrative expenses		<b>(11,929)</b>	(2,808)
Reversal of impairment loss in respect of property under development		–	93,062
Reversal of allowance for deposit paid for the purchase of properties	5	<b>15,168</b>	–
Profit from operations	6	<b>17,670</b>	102,970
Finance cost	8	<b>(509)</b>	(679)
Profit before taxation		<b>17,161</b>	102,291
Taxation	9	–	(6,941)
Profit before minority interests		<b>17,161</b>	95,350
Minority interests		<b>435</b>	(8,968)
Profit attributable to shareholders		<b>17,596</b>	86,382
Earnings per share – basic (2004: restated)	10	<b>HK\$0.05</b>	HK\$0.37



**CONSOLIDATED BALANCE SHEET** At 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	133,267	88
Property under development	12	360,298	360,034
Deposits made on acquisition of a subsidiary	13	196,757	–
Deposits made on acquisition of property, plant and equipment		4,899	–
Other assets	14	27,382	–
Goodwill	15	18,301	–
		<b>740,904</b>	<b>360,122</b>
<b>Current assets</b>			
Inventories, at cost		1,239	–
Deposits, prepayments and other receivables	18	4,952	35,234
Amount due from a related company	19	1,146	–
Bank balances and cash		525,961	5,587
		<b>533,298</b>	<b>40,821</b>
<b>Current liabilities</b>			
Trade payables	20	3,629	–
Accrued charges and other payables		10,456	1,306
Taxation payable		–	169
		<b>14,085</b>	<b>1,475</b>
<b>Net current assets</b>			
		<b>519,213</b>	<b>39,346</b>
		<b>1,260,117</b>	<b>399,468</b>
<b>Capital and reserves</b>			
Share capital	21	93	11
Reserves		1,056,937	348,568
		<b>1,057,030</b>	<b>348,579</b>
<b>Minority interests</b>			
	24	(451)	1,925
<b>Non-current liabilities</b>			
Amounts due to related companies	26	18,005	25,913
Amounts due to minority shareholders of a subsidiary	27	180,000	17,518
Deferred taxation	28	5,533	5,533
		<b>203,538</b>	<b>48,964</b>
		<b>1,260,117</b>	<b>399,468</b>

The financial statements on pages 23 to 58 were approved and authorised for issue by the Board of Directors on 11th July, 2005 and are signed on its behalf by:

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director

**BALANCE SHEET** At 31st March, 2005

	<i>Notes</i>	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	16	2	114
Amounts due from subsidiaries	17	<b>668,452</b>	358,501
		<b>668,454</b>	358,615
Current assets			
Deposits, prepayments and other receivables		<b>1,137</b>	53
Bank balances and cash		<b>389,703</b>	137
		<b>390,840</b>	190
Current liability			
Accrued charges and other payables		<b>914</b>	244
Net current assets (liabilities)			
		<b>389,926</b>	(54)
		<b>1,058,380</b>	358,561
Capital and reserves			
Share capital	21	<b>93</b>	11
Reserves	23	<b>1,058,287</b>	348,551
		<b>1,058,380</b>	348,562
Non-current liabilities			
Amount due to a subsidiary	25	–	86
Amount due to a related company	26	–	9,913
		–	9,999
		<b>1,058,380</b>	358,561

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31st March, 2005

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(note 23(b))</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>							
At 1st April, 2003	11	564,363	666	514,191	6,139	(823,055)	262,315
Share of reserve by a minority shareholder of a subsidiary	-	-	-	-	12	-	12
Exchange difference arising on translation of PRC operations	-	-	-	-	(130)	-	(130)
Net losses not recognised in the consolidated income statement	-	-	-	-	(118)	-	(118)
Profit attributable to shareholders	-	-	-	-	-	86,382	86,382
At 31st March, 2004	11	564,363	666	514,191	6,021	(736,673)	348,579
Share of reserve by a minority shareholder of a subsidiary	-	-	-	-	(5)	-	(5)
Exchange difference arising on translation of PRC operations	-	-	-	-	159	-	159
Net gain not recognised in the consolidated income statement	-	-	-	-	154	-	154
Issue of shares	82	695,568	-	-	-	-	695,650
Expenses incurred in connection with issue of shares	-	(4,949)	-	-	-	-	(4,949)
Profit attributable to shareholders	-	-	-	-	-	17,596	17,596
At 31st March, 2005	93	1,254,982	666	514,191	6,175	(719,077)	1,057,030

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	Note	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities			
Profit before taxation		17,161	102,291
Adjustments for:			
Reversal of impairment loss in respect of property under development		–	(93,062)
Reversal of allowance for amount due from a minority shareholder of a subsidiary		(2,609)	(6,779)
Interest income		(361)	(2,234)
Interest expenses		509	679
Depreciation of property, plant and equipment		951	2
Loss on disposal of property, plant and equipment		14	–
Goodwill charged to the income statement		78	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		15,743	897
Increase in inventories		(1,239)	–
Increase in deposits, prepayments and other receivables		(4,968)	(35)
Increase in amount due from a related company		(646)	–
Increase in trade payables		3,629	–
Increase (decrease) in accrued charges and other payables		6,395	(1,048)
		<hr/>	<hr/>
Net cash generated from (used in) operations		18,914	(186)
PRC enterprise income tax paid		(169)	(1,239)
		<hr/>	<hr/>
Net cash generated from (used in) operating activities		18,745	(1,425)
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received		361	41
Repayment from a minority shareholder of a subsidiary		–	456
Additional costs incurred on property under development		(76)	(66)
Purchase of property, plant and equipment		(1,545)	(4)
Deposits made for acquisition of property, plant and equipment		(4,899)	–
Acquisition of additional interests in a subsidiary		(16,000)	–
Acquisition of investment in unlisted shares		(162,041)	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	29	152,882	–
Additional costs incurred on other assets		(14,820)	–
Distribution to a minority shareholder upon winding up of a subsidiary		(53)	–
		<hr/>	<hr/>
Net cash (used in) generated from investing activities		(46,191)	427
		<hr/>	<hr/>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash flows from financing activities		
Interest paid	(509)	(679)
Net proceeds from issue of shares	558,102	–
Repayment to a related company	(9,913)	(1,374)
Advances from (repayment to) a minority shareholder of a subsidiary	140	(455)
	<hr/>	<hr/>
Net cash generated from (used in) financing activities	547,820	(2,508)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	520,374	(3,506)
Cash and cash equivalents at the beginning of the year	5,587	9,131
Effect of foreign exchange rate changes	–	(38)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year		
Bank balances and cash	525,961	5,587
	<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31st March, 2005

### **1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36.

### **2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS**

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRS"s) and Hong Kong Accounting Standards ("HKAS"s) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has early adopted HKFRS 3 "Business combinations" ("HKFRS 3") retrospectively from 1st April, 2004 in accounting for its goodwill and HKAS 36 "Impairment of assets" ("HKAS 36") and HKAS 38 "Intangible assets" ("HKAS 38").

In the current year, the Group adopted retrospectively, HKFRS 3 to business combinations and HKAS 36 and HKAS 38. HKFRS 3 requires goodwill arising from acquisitions to be determined as the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities on the date of acquisition. After initial recognition, HKFRS 3 requires goodwill to be carried at cost less accumulated impairment losses. HKFRS 3 prohibits the amortisation of goodwill. Under HKAS 36, impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. The application of HKFRS 3 has resulted in the recognition of goodwill of approximately HK\$18,301,000 which is not subject to amortisation but, impairment reviews are required. The application of HKAS 36 and HKAS 38 have no material effect to the Group.

The Group has commenced considering the potential impact of the other new or revised HKFRSs and HKASs but is not yet in a position to determine whether these new standards would have a significant impact on how its results of operation and financial position are prepared and presented. These new standards may result in changes in the future as to how the results and financial position are prepared and presented and has so concluded that the adoption of these new or revised HKFRSs and HKASs may have impact to its consolidated financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31st March, 2005

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interests in the net fair values of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any identified impairment loss.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvement	Over the relevant lease terms
Furniture, fixtures and equipment	10 – 20%
Motor vehicles	20%
Vessel	5%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost comprises the cost of acquisition of the properties under development together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development.

#### Other assets

Other assets are stated at cost less any identified impairment loss.

#### Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.



## **NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31st March, 2005

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Impairment of assets excluding goodwill (continued)**

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (cash-generating unit) in prior years. A reversal of an impairment loss for assets is recognised as income immediately.

#### **Inventories**

Inventories represent food and beverage, consumable goods of cruise and others and are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **Revenue recognition**

Revenues from room rental, food and beverage sales and other ancillary services on the cruise are recognised when the relevant services have been rendered.

Rental income is recognised on a straight line basis over the terms of the relevant leases.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Sales of properties are recognised when unconditional sale and purchase agreements have been signed during the year and legal completion of the transactions takes place prior to the approval of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31st March, 2005**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**Taxation**

Taxation represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

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

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

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

## **NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31st March, 2005

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Taxation (continued)**

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

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Operating leases**

Rental payable under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

#### **Retirement benefit costs**

Payments to retirement benefit schemes other than the costs attributable to the development of the properties are charged as an expense as they fall due.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined business segments to be presented as the primary reporting format and geographical segments as the secondary reporting format. Analyses of the Group's business and geographical segmental information are as follows:

#### (a) Business segments

	2005				Total HK\$'000
	Cruise and cruise related activities HK\$'000	Hotel and gaming operations HK\$'000	Property sales and development HK\$'000	Unallocated corporate items HK\$'000	
<b>TURNOVER</b>	18,236	-	-	-	18,236
<b>RESULTS</b>					
Segment results	6,071	(956)	17,221	(5,027)	17,309
Interest income					361
Profit from operations					17,670
Finance cost					(509)
Profit before taxation					17,161
Taxation					-
Profit after taxation					17,161
<b>BALANCE SHEET</b>					
Assets					
Segment assets	138,895	365,070	379,955	390,282	1,274,202
Liabilities					
Segment current liabilities	(6,966)	(5,862)	(343)	(914)	(14,085)
Amount due to a related company	-	(18,005)	-	-	(18,005)
Amounts due to minority shareholders of a subsidiary	-	(180,000)	-	-	(180,000)
Deferred taxation	-	-	(5,533)	-	(5,533)
					(217,623)
<b>OTHER INFORMATION</b>					
Additions to property under development, property, plant and equipment, other assets and goodwill	134,052	27,382	18,469	-	179,903
Deposits made on acquisition of a subsidiary	-	196,757	-	-	196,757
Deposits made on acquisition of property, plant and equipment	-	4,899	-	-	4,899
Depreciation of property, plant and equipment	944	-	7	-	951
Goodwill charged to the income statement	7	71	-	-	78

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 4. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

	Property sales and development <i>HK\$'000</i>	2004 Unallocated corporate items <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER	<u>–</u>	<u>–</u>	<u>–</u>
RESULTS			
Segment results	102,993	(2,257)	100,736
Interest income			<u>2,234</u>
Profit from operations			102,970
Finance cost			<u>(679)</u>
Profit before taxation			102,291
Taxation			<u>(6,941)</u>
Profit after taxation			<u>95,350</u>
BALANCE SHEET			
Assets			
Segment assets	400,752	191	<u>400,943</u>
Liabilities			
Segment current liabilities	(1,230)	(245)	(1,475)
Amounts due to related companies	(16,000)	(9,913)	(25,913)
Amount due to a minority shareholder of a subsidiary	(17,518)	–	(17,518)
Deferred taxation	(5,533)	–	<u>(5,533)</u>
			<u>(50,439)</u>
OTHER INFORMATION			
Additions to property under development and property, plant and equipment	70	–	70
Depreciation of property, plant and equipment	2	–	2
Reversal of impairment loss in respect of property under development	<u>(93,062)</u>	<u>–</u>	<u>(93,062)</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 4. SEGMENT INFORMATION (continued) (b) Geographical segments

	Turnover	
	2005 HK\$'000	2004 HK\$'000
International waters	17,882	–
Hong Kong	354	–
	<u>18,236</u>	<u>–</u>

	Carrying amount of segment assets		Additions to property under development, property, plant and equipment, other assets and goodwill	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Mainland China	379,956	400,752	18,469	70
Macau	229,758	–	27,382	–
Hong Kong	528,570	191	146	–
Other Asia Pacific areas, including International waters	135,591	–	133,906	–
Other areas	327	–	–	–
	<u>1,274,202</u>	<u>400,943</u>	<u>179,903</u>	<u>70</u>

### 5. REVERSAL OF ALLOWANCE FOR DEPOSIT PAID FOR THE PURCHASE OF PROPERTIES

During the year, the Group obtained judgment against Chongqing Hong Tai Property Development Co., Ltd. ("Hong Tai") for failure to complete and deliver vacant possession of certain units and car parking spaces (collectively referred to as the "Properties") purchased by the Group in Hong Tai Building, Chongqing. Hong Tai was ordered to deliver the Properties or to refund the deposit paid in the sum of RMB29.05 million (approximately HK\$25.9 million) together with accrued interests to the Group. The Group had recovered part of the deposit paid in the sum of approximately RMB16.2 million (approximately HK\$15,168,000), leading to the reversal of allowance for the same amount previously made in respect of the deposit paid.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 6. PROFIT FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration ( <i>note 7(a)</i> ), and retirement benefit scheme contributions ( <i>note 7(b)</i> )	5,792	505
Operating lease rentals in respect of rented premises	68	60
Auditors' remuneration	690	253
Depreciation of property, plant and equipment	951	2
Loss on disposal of property, plant and equipment	14	–
Goodwill charged to the income statement and included in administrative expenses	78	–
and after crediting:		
Interest income from:		
– bank and other deposits	6	41
– a minority shareholder of a subsidiary	355	2,193
Rental income (net of nil outgoings)	166	3,703
Reversal of allowance for amount due from a minority shareholder of a subsidiary	<u>2,609</u>	<u>6,779</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

#### (a) Information regarding directors' and employees' emoluments

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' emoluments		
Directors' fees:		
Executive	300	300
Independent non-executive	200	200
	<u>500</u>	<u>500</u>
Other emoluments	1,500	–
	<u>2,000</u>	<u>500</u>

Emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	6	6
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>7</u>	<u>6</u>

Employees' emoluments

All five highest paid individuals of the Group for both years are directors of the Company, details of whose emoluments are set out above.

#### (b) Retirement benefit scheme

The employees of the Group were members of a state-managed retirement benefit scheme operated by the PRC government. The Group was required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme was to make the required contributions under the scheme. During the year, the retirement benefit scheme contributions were approximately HK\$33,000 (2004: nil).

### 8. FINANCE COST

The amount represents interest on amount due to a related company.



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 9. TAXATION

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The charge comprises:		
PRC enterprise income tax		
– current year	–	(1,113)
– underprovision in prior years	–	(295)
Deferred taxation ( <i>note 28</i> )		
– current year	–	(5,533)
	<u>–</u>	<u>(6,941)</u>
	<u>–</u>	<u>(6,941)</u>

The PRC enterprise income tax is calculated at the rates prevailing in the People's Republic of China (the "PRC").

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both years.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 9. TAXATION (continued)

The taxation for the year can be reconciled to the profit before taxation per consolidated income statement as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Profit before taxation	<u>17,161</u>	<u>102,291</u>
Tax charge at Hong Kong Profits Tax of 17.5% (2004: at the rate prevailing in the PRC of 33% ( <i>Note</i> ))	<b>(3,003)</b>	(33,756)
Tax effect of expenses that are not deductible for tax purpose	<b>(1,716)</b>	(391)
Tax effect of income that is not taxable for tax purpose	<b>6,435</b>	3,277
Tax effect of reversal of deductible temporary differences not previously recognised	–	25,178
Tax effect of tax losses not recognised	<b>(1,722)</b>	(954)
Underprovision in prior years	–	(295)
Others	<b>6</b>	–
Taxation for the year	<u>–</u>	<u>(6,941)</u>

*Note:* The Hong Kong Profits Tax rate of 17.5% is the domestic tax rate in jurisdiction where the operation of the Group is substantially based. The PRC enterprise income tax rate of 33% was the domestic tax rate in jurisdiction in previous year where the operation of the Group was substantially based.

### 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$17,596,000 (2004: HK\$86,382,000) and on 367,647,583 (2004: 232,716,955 weighted average ordinary shares after adjusting for the effect of 1 to 10 share subdivision and rights issue effective on 3rd January, 2005 and 21st January, 2005, respectively) weighted average ordinary shares in issue during the year.

Diluted earnings per share has not been presented as the Company had no dilutive potential ordinary shares for both years.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Vessel <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1st April, 2004	–	301	469	–	770
Additions	151	837	–	133,156	134,144
Disposals	–	(128)	–	–	(128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st March, 2005</b>	<b>151</b>	<b>1,010</b>	<b>469</b>	<b>133,156</b>	<b>134,786</b>
<b>DEPRECIATION</b>					
At 1st April, 2004	–	260	422	–	682
Provided for the year	4	30	–	917	951
Eliminated on disposals	–	(114)	–	–	(114)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st March, 2005</b>	<b>4</b>	<b>176</b>	<b>422</b>	<b>917</b>	<b>1,519</b>
<b>NET BOOK VALUES</b>					
<b>At 31st March, 2005</b>	<b>147</b>	<b>834</b>	<b>47</b>	<b>132,239</b>	<b>133,267</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31st March, 2004	–	41	47	–	88
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 12. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	360,034	267,000
Currency realignment	188	(94)
Additions	76	66
	<hr/>	<hr/>
	360,298	266,972
Reversal of impairment loss	–	93,062
	<hr/>	<hr/>
At the end of the year	<u>360,298</u>	<u>360,034</u>

The property under development is situated in the PRC and is held under a land use right (the "Land") for a term of 50 years from 9th August, 1994. Included in property under development as at 31st March, 2005 is net interest capitalised of approximately HK\$21,372,000 (2004: HK\$21,372,000). However, no further interest was capitalised in 2004 and 2005.

On 26th May, 2004, the Group entered into a joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co., Ltd. ("JV Partner") to jointly develop the Land. Under the JV Agreement, the Group would provide the Land, the JV Partner would bear the full construction cost and the floor area would be split between the parties in equal shares. The Group intended to develop the property into a commercial complex. The Group had an option to put its interest in the development project to the JV Partner at a consideration of HK\$530 million.

The reversal of impairment loss of approximately HK\$93,062,000 for the year ended 31st March, 2004 was estimated by the directors of the Company with reference to an independent professional valuation as at 31st March, 2004 which was prepared after taking into account of the modifications of the development proposal and market conditions.

Details of property under development as at 31st March, 2005 are set out on page 60.

### 13. DEPOSITS MADE ON ACQUISITION OF A SUBSIDIARY

The amount represents deposits paid for acquisition of a subsidiary in Macau. On 3rd May, 2005, the acquisition was completed and the Group settled the remaining balance of the consideration of HK\$451,500,000.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 14. OTHER ASSETS

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Acquired upon acquisition of a subsidiary	12,562	–
Additions	14,820	–
	<hr/>	<hr/>
At the end of the year	<u>27,382</u>	<u>–</u>

On 3rd November, 2004, the Group signed an agreement which indirectly enabled the Group to acquire a property in Macau which were finally completed in May 2005. Details of which were set out in a circular to the shareholders of the Company dated 10th December, 2004. Other assets represent the renovation costs incurred on the property from 3rd November, 2004 up to the balance sheet date.

### 15. GOODWILL

	THE GROUP <i>HK\$'000</i>
<b>COST</b>	
At 1st April, 2004	–
Arising on acquisition of additional interests in a subsidiary	18,301
	<hr/>
<b>At 31st March, 2005</b>	<u>18,301</u>

As at 31st March, 2005, the carrying amount of goodwill had been allocated to the cash-generating unit ("CGU") for the property sales and development.

The recoverable amounts of the CGU is determined from value in use calculations. The value in use calculations use cash flow projections based on financial budgets prepared by the management. The key assumptions for the value in use calculations are those regarding the discount rates, growth in revenue and direct costs during the period. The management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

During the year, the Group performed impairment review for goodwill and considered no impairment loss was necessary.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	230	227
Less: Impairment loss recognised	(228)	(113)
	<u>2</u>	<u>114</u>

Particulars of the principal subsidiaries of the Company as at 31st March, 2005 are set out in note 36.

### 17. AMOUNTS DUE FROM SUBSIDIARIES

#### THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

### 18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

#### THE GROUP

Included in deposits, prepayments and other receivables as at 31st March, 2004 was an amount of approximately HK\$34,726,000 (net of allowance made of approximately HK\$2,609,000) due from a minority shareholder of a subsidiary. The amount was unsecured, bore interest at 1% over Hong Kong prime interest rate. As at 9th June, 2004, the balance was HK\$37,830,000 and the Group had waived this amount as part of the consideration for acquisition of the remaining 10% interests in this subsidiary from the minority shareholder (see note 30(a)).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 19. AMOUNT DUE FROM A RELATED COMPANY THE GROUP

Particulars of the amount due from a related company are as follows:

Name of related company	Balance at 31st March, 2005 <i>HK\$'000</i>	Balance at 1st April, 2004 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Golden Princess Holdings Limited	<u>1,146</u>	<u>–</u>	<u>1,146</u>

The amount is unsecured, interest-free and repayable on demand.

As at 31st March, 2005, Golden Princess Holdings Limited was an indirect wholly-owned subsidiary of Gain Wealth Investments Limited, which in turn was held by Perpetual Wealth Investments Limited on trust for The A&S Unit Trust, a trust set up by Mr. Yeung Sau Shing, Albert, a deemed substantial shareholder of the Company.

### 20. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0 – 30 days	3,163	–
31 – 60 days	<u>466</u>	<u>–</u>
	<u>3,629</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1st April, 2003 and 31st March, 2004	200,000,000,000	200,000
Increase in shares upon the Share Subdivision ( <i>note (b)</i> )	1,800,000,000,000	–
<b>Ordinary shares of HK\$0.0001 each at 31st March, 2005</b>	<b>2,000,000,000,000</b>	<b>200,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.001 each at 1st April, 2003 and 31st March, 2004	11,006,883	11
Increase in shares upon the Placing ( <i>note (a)</i> )	2,200,000	2
Increase in shares upon the Share Subdivision ( <i>note (b)</i> )	118,861,947	–
Increase in shares upon the Rights Issue ( <i>note (c)</i> )	660,344,150	66
Increase in shares upon the Subscription ( <i>note (d)</i> )	31,950,000	3
Increase in shares upon the Allotment of Shares ( <i>note (e)</i> )	104,409,000	11
<b>Ordinary shares of HK\$0.0001 each at 31st March, 2005</b>	<b>928,771,980</b>	<b>93</b>

#### Notes:

- (a) On 16th November, 2004, the Company entered into a placing agreement with an independent placing agent to place and issue in aggregate 2,200,000 new shares of HK\$0.001 each of the Company at the price of HK\$10.00 per share ("Placing"). The Placing was completed on 6th December, 2004. The Company planned to use the proceeds for general working capital of the Group. The shares issued rank *pari passu* in all respects with the then existing shares of the Company.
- (b) On 3rd January, 2005, a resolution was passed at the special general meeting of the Company pursuant to which every issued and unissued share of HK\$0.001 each of the Company was subdivided into ten shares of HK\$0.0001 each ("Share Subdivision"). The new subdivided shares rank *pari passu* in all respects with the then existing shares of the Company.



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 21. SHARE CAPITAL (continued)

*Notes: (continued)*

- (c) On 3rd January, 2005, a resolution was passed at the special general meeting of the Company pursuant to which 660,344,150 rights shares of HK\$0.0001 each were to be allotted in the proportion of five rights shares for every one subdivided share of HK\$0.0001 each of the Company at the price of HK\$0.68 per rights share ("Rights Issue"). The Rights Issue was completed on 21st January, 2005. The Company planned to use the proceeds for acquisition of 90% interests in a subsidiary as referred to in note 35(c) and the business development of that subsidiary as well as for general working capital of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.
- (d) On 6th January, 2005, the Company entered into a subscription agreement with a minority shareholder of a subsidiary pursuant to which the Company agreed to allot and issue 31,950,000 new subdivided shares of HK\$0.0001 each of the Company at the price of HK\$2.88 per share ("Subscription"). The Subscription was completed on 7th February, 2005. The Company planned to use the proceeds for general working capital and future business development of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.
- (e) On 15th February, 2005, the Company allotted and issued 104,409,000 new subdivided shares of HK\$0.0001 each of the Company at the price of HK\$1.27 per share to Pleasure Road Profits Limited ("Pleasure Road") ("Allotment of Shares") as the consideration for acquisition of the vessel by the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

### 22. SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") on 2nd September, 2002 (the "Adoption Date"), the primary purpose of which is to provide incentives or rewards to participants including the directors and eligible employees of the Group.

Under the Share Option Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing prices of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The total number of shares in respect of which options may be granted under the Share Option Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

No options have been granted since the adoption of the Share Option Scheme.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 23. RESERVES

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>					
At 1st April, 2003	564,363	666	514,191	(823,924)	255,296
Net profit for the year	–	–	–	93,255	93,255
At 31st March, 2004	564,363	666	514,191	(730,669)	348,551
Issue of shares	695,568	–	–	–	695,568
Expenses incurred in connection with issue of shares	(4,949)	–	–	–	(4,949)
Net profit for the year	–	–	–	19,117	19,117
<b>At 31st March, 2005</b>	<b>1,254,982</b>	<b>666</b>	<b>514,191</b>	<b>(711,552)</b>	<b>1,058,287</b>

- (a) The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries as at 7th July, 1992, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less any dividends subsequently paid out of pre-reorganisation profits and amounts utilised on redemption of shares.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, the Company had no distributable reserve as at 31st March, 2005 and 31st March, 2004.

- (b) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's share capital issued as consideration for the acquisition.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 24. MINORITY INTERESTS

The minority shareholders of the subsidiaries agreed to contribute the shareholders' loans in accordance with their shareholdings. The shareholders' loans can be used to make good the minority shareholders' share of the losses incurred by the subsidiaries to the extent of the amounts advanced to them.

### 25. AMOUNT DUE TO A SUBSIDIARY THE COMPANY

The amount was unsecured, interest-free and fully repaid during the year.

### 26. AMOUNT(S) DUE TO RELATED COMPANY(IES)

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Interest bearing at prevailing market rates <i>(note (a))</i>	–	9,913	–	9,913
Interest-free <i>(note (b))</i>	–	16,000	–	–
Interest-free <i>(note (c))</i>	<b>18,005</b>	–	–	–
	<b>18,005</b>	<b>25,913</b>	–	<b>9,913</b>

Notes:

- (a) The amount was due to a subsidiary of Emperor International Holdings Limited, a substantial shareholder of the Company and fully repaid during the year.
- (b) The amount was due to a company in which a deemed substantial shareholder of the Company was interested and assigned to a minority shareholder of a subsidiary during the year.
- (c) The amount is due to a company in which a deemed substantial shareholder of the Company is interested.

The amounts are unsecured and have no fixed terms of repayment.

These related companies have agreed not to demand repayment of the amounts until the Group and the Company are financially capable to do so. No demand for repayment from these related companies is expected in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 27. AMOUNT(S) DUE TO MINORITY SHAREHOLDER(S) OF A SUBSIDIARY THE GROUP

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, it is unlikely that the minority shareholders will demand for repayment of the amounts until the subsidiary is financially capable to do so. No demand for repayment from the minority shareholders of the subsidiary is expected in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

The amounts advanced to the subsidiary by the minority shareholders are considered as part of their contributions, together with paid up capital, made to finance the operations of the subsidiary. The advances can be used to make good the minority shareholders' share of the losses incurred by the subsidiary to the extent of the amounts advanced to it. The amount advanced in 2004 to a 90% owned subsidiary of the Group by a minority shareholder was assigned to the Group on 9th June, 2004 as a result of the Group's acquisition of the remaining 10% interests in that subsidiary.

### 28. DEFERRED TAXATION

The following are the major deferred taxation liability recognised and movements thereon during the year:

	Development costs capitalised <i>HK\$'000</i>	Impairment loss recognised in respect of property under development <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>			
At 1st April, 2003	(5,533)	5,533	–
Charge to the income statement	–	(5,533)	(5,533)
<b>At 31st March, 2004 and 2005</b>	<b><u>(5,533)</u></b>	<b><u>–</u></b>	<b><u>(5,533)</u></b>

For the purpose of balance sheet presentation, deferred taxation asset and liability have been offset.

As at 31st March, 2005, the Group had unused tax losses of approximately HK\$121,973,000 (2004: HK\$112,133,000) available for offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

As at 31st March, 2005, the Company had unused tax losses of approximately HK\$116,140,000 (2004: HK\$112,133,000) available for offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

There were no other significant temporary differences arising in the Group and the Company during the year or at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 29. PURCHASE OF SUBSIDIARIES

In January 2005, the investment in unlisted shares in Great Assets Holdings Limited ("Great Assets") and its subsidiaries are reclassified as interest in subsidiaries as the other shareholder of Great Assets transferred the power to appoint directors to the Group at nil consideration. In addition, in February 2005, the Group acquired 100% of the issued share capital of Ever Discovery Limited, Everjoyce Limited and Golden Princess Cruise Limited at a total consideration of approximately HK\$500,000.

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Deposits made for acquisition of a subsidiary	196,757	–
Other assets	12,562	–
Amount due from a related company	500	–
Bank balances and cash	153,382	–
Accrued charges and other payables	(2,754)	–
Amount due to the holding company	(180,046)	–
Amounts due to minority shareholders of a subsidiary	(180,000)	–
Minority interests	21	–
	<u>422</u>	–
Assignment of shareholder's loan	162,041	–
Goodwill charged to the income statement	78	–
	<u>162,541</u>	–
Total consideration	<u>162,541</u>	–
Satisfied by:		
Reclassification from investment in unlisted shares	162,041	–
Cash	500	–
	<u>162,541</u>	–
Analysis of net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration	(500)	–
Bank balances and cash acquired	153,382	–
	<u>152,882</u>	–

The subsidiaries acquired during the year did not have significant contribution to the Group's turnover and operating results for the year.

The net book value of the net assets acquired at the date of acquisition approximate to their fair value.

Pro forma Group's revenue and results:

There is no material impact in the Group's revenue and net profit for the year if the acquisition of the above companies had been completed on 1st April, 2004 as these companies are mainly inactive or in investment stage.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 30. MAJOR NON-CASH TRANSACTIONS

- (a) As settlement of part of the consideration for acquisition of the remaining 10% interests in Expert Pearl Investments Limited ("Expert Pearl"), an indirectly 90% owned subsidiary of the Company, from Star City Entertainment Holdings Limited ("Star City") through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City, the Group waived all liabilities of Star City in the principal sum of approximately HK\$17,658,000 and all interest thereon of approximately HK\$20,172,000, amounted in aggregate to approximately HK\$37,830,000 owed to the Group as at 9th June, 2004.
- (b) On 15th February, 2005, the Company allotted and issued 104,409,000 new shares of HK\$0.0001 each of the Company at the price of HK\$1.27 per share totalling approximately HK\$132,599,000 to Pleasure Road as the consideration for acquisition of the vessel by the Group.

### 31. COMMITMENTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Authorised but not contracted for in respect of:		
– property and hotel development projects	431,984	2,917
– property, plant and equipment	124,549	–
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property and hotel development projects	80,789	61,041
– property, plant and equipment	13,641	–
– acquisition of a subsidiary ( <i>note 34(b)</i> )	451,500	–
	<b>1,102,463</b>	<b>63,958</b>

The Company had no significant commitments at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 32. OPERATING LEASE COMMITMENTS

#### THE GROUP AS LESSEE

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	407	–
In the second to fifth year inclusive	47	–
	<u>454</u>	<u>–</u>

The leases were negotiated for terms ranging from 1 to 2 years and the rentals are pre-determined and fixed.

#### THE GROUP AS LESSOR

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments in respect of the casino in the vessel and the properties, which fall due as follows:

	<b>Casino in the vessel</b>		<b>Properties</b>	
	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	90,000	–	493	–
In the second to fifth year inclusive	–	–	535	–
	<u>90,000</u>	<u>–</u>	<u>1,028</u>	<u>–</u>

The properties have committed tenants for the tenancy ranging from 1 to 2 years and the rentals are pre-determined and fixed. The casino in the vessel has committed tenant for 1 year and the rental included a pre-determined fixed portion and a contingent rental based on the net profit of the tenant's casino operation.

The Company had no significant operating lease commitments either as lessee or lessor at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 33. CONTINGENT LIABILITY THE COMPANY

At the balance sheet date, the Company had given a guarantee of approximately HK\$3,075,000 (2004: nil) to a third party in respect of purchase of an equipment by a subsidiary of the Group.

### 34. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to 31st March, 2005:

- (a) On 20th April, 2005, the Group signed a credit facility letter of HK\$400,000,000 with a bank out of which HK\$100,000,000 bank loan was drawn down on 3rd May, 2005.
- (b) On 3rd May, 2005, the Group completed the acquisition of a subsidiary, in which the Group indirectly holds 45% interests, and settled the remaining balance of the consideration of HK\$451,500,000.

### 35. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group had the following significant transactions with related parties:

	2005 HK\$'000	2004 HK\$'000
Acquisition of subsidiaries from a related company (notes (i) and (ii))	500	–
Interest from a minority shareholder of a subsidiary (note (iii))	355	2,193
Interest to a related company (notes (i) and (iii))	509	679
Management fees to related companies (notes (i) and (iv))	342	240
Purchase of equipment from a related company (notes (i) and (v))	750	–
Purchase of inventories from a related company (notes (i) and (v))	1,523	–
Rental income from a related company (notes (i) and (v))	17,883	–
Secretarial fee to a related company (notes (i) and (v))	345	347
Underwriting commission to a related company (notes (i) and (v))	2,106	–
	<u>2,106</u>	<u>–</u>



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 35. RELATED PARTY TRANSACTIONS (continued)

*Notes:*

- (i) Certain directors and substantial shareholders of the Company have beneficial or deemed interests in the above related companies.
  - (ii) The consideration was based on the price of the ordinary shares.
  - (iii) The interest was calculated by reference to the principal outstanding and at the prevailing market interest rates.
  - (iv) The fees were charged on a cost basis.
  - (v) The transaction was carried out after negotiations between the Group and the related company and on basis of estimated market value/rate as determined by the directors of the Company.
- (b) On 9th June, 2004, the Group completed the acquisition of the remaining 10% interests in Expert Pearl, a 90% owned subsidiary of the Group, from Star City through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City.

As consideration, the Group repaid Star City HK\$16,000,000 being the initial investment contributed by Star City to Expert Pearl, such payment was made to Future Gain Investments Limited, a related company of the Group, as directed by Star City, and the Group waived all liabilities of Star City in the principal sum of approximately HK\$17,658,000 and all interest thereon of approximately HK\$20,172,000, amounted in aggregate to approximately HK\$37,830,000 owed to the Group as at 9th June, 2004.

- (c) On 25th January, 2005, the Group completed the acquisition of 90% interests in Great Assets from Lion Empire Investments Limited ("Lion Empire"), a related company of the Group, through the acquisition of the 45 shares registered in the name of Lion Empire ("Sale Shares"), representing 90% of the entire issued share capital of Great Assets, and the 90% of all outstanding loans due from Great Assets to Lion Empire as at 25th January, 2005 which amounted to approximately HK\$162,041,000 ("Sale Debt").

The consideration for the Sale Shares and the Sale Debt were US\$45 (equivalent to HK\$351) and approximately HK\$162,041,000, respectively.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2005

### 35. RELATED PARTY TRANSACTIONS (continued)

- (d) On 15th February, 2005, the Group completed the acquisition of the vessel named Golden Princess (together with all furniture and fittings on board, slot machines and other gambling equipment in the casino area) from Pleasure Road, a related company of the Group. The consideration of the vessel was US\$17 million (equivalent to approximately HK\$132,599,000) which was satisfied by the allotment and issue of 104,409,000 new shares of HK\$0.0001 each of the Company to Pleasure Road at the price of HK\$1.27 per share.

### 36. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2005, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Group's attributable equity interest %	Principal activities
<b>Indirectly held</b>					
Asian Glory Limited	Macau	Macau	MOP25,000	100	Property investment
Emperor (Shanghai) Co., Ltd. 英皇(上海)有限公司	PRC – foreign investment enterprise	PRC	US\$30,000,000	100	Property development
Great Assets Holdings Limited	British Virgin Islands	Hong Kong	US\$50	90	Investment holding
Harbour Assets Limited	British Virgin Islands	PRC and International waters	US\$1	100	Property investment and vessel owner
Luck United Holdings Limited ("Luck United")	British Virgin Islands	Macau	US\$7,000	45*	Investment holding
Right Achieve Limited	British Virgin Islands	Macau	US\$1	100	Investment holding and nominee services
Season Success Investment Limited	Hong Kong	Hong Kong	HK\$1	100	Vessel operator

- \* Luck United is regarded as a subsidiary of the Group as the Group have control on the board of directors of Luck United.

**NOTES TO THE FINANCIAL STATEMENTS** For the year ended 31st March, 2005**36. PARTICULARS OF SUBSIDIARIES (continued)**

The Group has written off its 80% interests in Canlibol Holdings Limited and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. (together "Canlibol Group"), the value of which had been fully provided for in the year ended 31st March, 2003. After consultation with PRC lawyers, it appeared that the Company's successful recovery of its interests in the Canlibol Group is doubtful and the directors of the Company considered it appropriate to write off such interests.

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2005.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

## FINANCIAL SUMMARY

For the year ended 31st March, 2005

### RESULTS

	Year ended 31st March,				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	<u>18,236</u>	<u>–</u>	<u>31,439</u>	<u>46,792</u>	<u>38,728</u>
PROFIT (LOSS) BEFORE TAXATION	<u>17,161</u>	102,291	(585,288)	(33,346)	33,316
TAXATION	<u>–</u>	<u>(6,941)</u>	<u>(381)</u>	<u>(248)</u>	<u>–</u>
PROFIT (LOSS) BEFORE MINORITY INTERESTS	<u>17,161</u>	95,350	(585,669)	(33,594)	33,316
MINORITY INTERESTS	<u>435</u>	<u>(8,968)</u>	<u>(12,597)</u>	<u>640</u>	<u>(695)</u>
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>17,596</u>	<u>86,382</u>	<u>(598,266)</u>	<u>(32,954)</u>	<u>32,621</u>

### ASSETS AND LIABILITIES

	At 31st March,				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TOTAL ASSETS	<u>1,274,202</u>	400,943	302,900	1,125,233	1,260,973
TOTAL LIABILITIES	<u>(217,623)</u>	<u>(50,439)</u>	<u>(47,616)</u>	<u>(288,077)</u>	<u>(390,035)</u>
	<u>1,056,579</u>	350,504	255,284	837,156	870,938
MINORITY INTERESTS	<u>451</u>	<u>(1,925)</u>	<u>7,031</u>	<u>27,825</u>	<u>27,762</u>
SHAREHOLDERS' FUNDS	<u>1,057,030</u>	<u>348,579</u>	<u>262,315</u>	<u>864,981</u>	<u>898,700</u>

## SUMMARY OF PROPERTY At 31st March, 2005

### PROPERTY UNDER DEVELOPMENT

Location	Purpose	Site area sq. ft.	Estimated gross floor area sq. ft.	Stage of completion	Estimated completion date	The Group's interest %	Land use right
Emperor Star City, a site located at 548 Yu Yuan Jie Dao Fang 11/1 Qiu Huangpu District Shanghai, the PRC <i>(note (a))</i>	Commercial complex	246,173	1,227,957 (inclusive of 2 storeys, car parking and ancillary facilities)	Basement and foundation construction will commence shortly	In 2007	100	50 years commencing from 9th August, 1994 <i>(note (b))</i>

*Notes:*

- (a) The property was originally known as Yuyuan located at Land Plot 33-II, South Henan Road, Nanshi District, Shanghai, the PRC. Pursuant to the order of the Shanghai Municipal Government made in July 2000, the property has been renamed as the above.
- (b) Term of the land use right is extracted from the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Huang Ei (2005) Di 002851 issued by Shanghai Housing and Land Resources Administration Bureau dated 9th December, 2003.