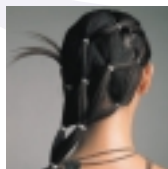
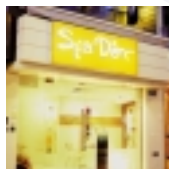
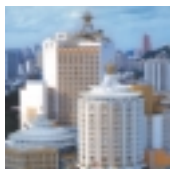


Annual Report
2004



Century Legend (Holdings) Limited
世紀建業(集團)有限公司



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This annual report is published in both English and Chinese languages.
The English version shall prevail.

Corporate Information

EXECUTIVE DIRECTORS

Mr. TSANG Chiu Mo Samuel (*Executive Chairman*)
Ms. CHU Ming Tak Evans Tania
Mr. TSANG Chiu Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Yun Kong
Mr. HUI Yan Kit
Mr. HUNG Sui Kwan

COMPANY SECRETARY

Ms. SZE Tak On

AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

BANKERS

The Bank of East Asia Limited
Liu Chong Hing Bank Limited
The Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

SOLICITORS

Chiu, Szeto & Cheng Solicitors
Bosco Tso & Partners Solicitors

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road, Pembroke
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre, 183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2708-11, 27th Floor, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

STOCK CODE

0079

19 November 2003

The Group acquired 5% interest in two gaming intermediaries in Macau. This is the first gaming intermediary concept being introduced in Hong Kong.

4 February 2004

The Group held 15% interest in aggregate in the two gaming intermediaries in Macau after the Group acquired further 10% interest in these two gaming intermediaries. This becomes another major arm of the Group in the entertainment division.

14 September 2004

The Group acquired approximately 2.8% business interest in the investment of a gaming intermediary which is the sole agent of the casino operator on board the Omar III cruiser. This broadened the Group's array of business in the existing business sector.

8 October 2004

Hong Kong Macau Marketing Limited was set up in Macau to provide marketing and public relation services to the Group's gaming intermediaries in Macau.

11 January 2005

An indirect wholly-owned subsidiary of the Company and China Sky Investments Ltd, the substantial shareholder of the Company entered into joint venture agreement to form two joint ventures to apply for and will obtain the Gaming Intermediaries License under the Gaming Intermediaries Regulation of Macau for the purpose of carrying on the gaming intermediary operation and other lawful gaming-related activities at the Diamond Hall and Diamond Entertainment Hall in Macau.

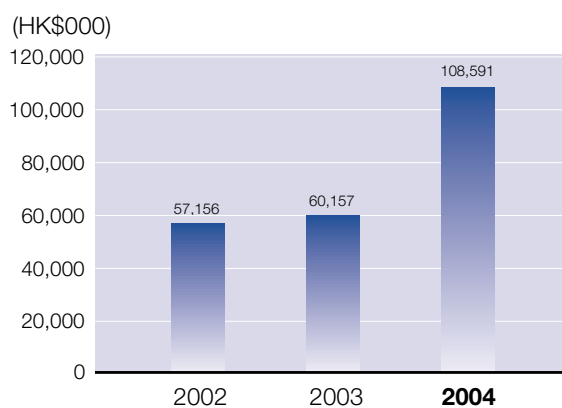
13 March 2005

In April 2004, the Group acquired 11% equity interest indirectly in a Philippine company which is principally engaged in conducting gaming intermediary activities as well as management and daily operation of the Subic Diamond Casino. The casino is located in the Subic Bay Freeport Zone Philippines and was soft opened on 13 March 2005. The investment synergised with our existing business portfolio and marked a strategic move of the Group to extend its gaming businesses beyond Macau into the South East Asia region.

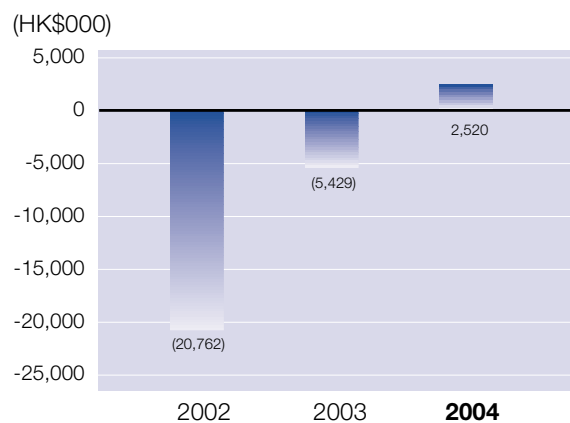
Financial Highlights

	2004 HK\$000	2003 HK\$000	Variance %
Turnover	108,591	60,157	+ 81%
Profit/(Loss) attributable to shareholders	2,520	(5,429)	–
Shareholder's equity	68,301	65,781	+4%
Basic earnings/(loss) per share (HK cents)	0.12	(0.26)	–
Net assets value per share (HK cents)	3.31	3.19	+4%

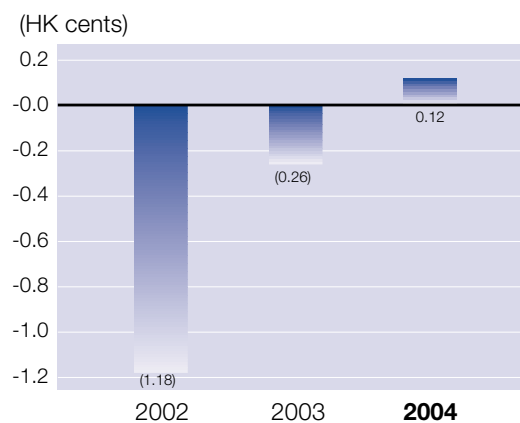
Turnover



Profit/(Loss) attributable to shareholders



Basic earnings/(loss) per share



My Letter to Shareholders



TO THE SHAREHOLDERS OF CENTURY LEGEND (HOLDINGS) LIMITED

Throughout the year 2004, we witnessed a remarkable economic development in Hong Kong and Macau. Strategic measures undertaken by the Mainland Chinese government significantly boosted the number of Mainland China tourists visiting both territories. Interest rates and inflation in Hong Kong and Macau remained low, bolstering consumer confidence and spending.

While the economic climate remained broadly favorable during the period, earnings potential of the Group has not been fully reflected, as the Group's investments were still at her early stage. On the other hand, driven by the Group's effective cost control measures and solid contributions from her new investments, the Group's loss after taxation reduced significantly from HK\$6.2 million in 2003 to HK\$256,000 in 2004.

In addition to reducing the loss significantly, the Group has also made progress in implementing her long term plans to expand her investments in the key sector of the Macau economy in which the management has particular skills and experiences.

My Letter to Shareholders

REVIEW BACKWARDS

Travel and Gaming-Related Businesses

Liberalization of the Macau gaming industry encourages greater investment flows in the travel and gaming-related sector. The launch of various world-class entertainment centers and their ancillary facilities will gradually turn Macau into a one of the most sought-after travel destinations. Buoyed by the promising market environment, the Group's investment in the two gaming intermediaries in Macau – Diamond Hall and Diamond Entertainment Hall, contributed investment return of HK\$5.5 million to the Group for the year 2004, representing approximately 16% return on investment. On 11 January 2005, the Group and China Sky Investments Ltd, the substantial shareholder of the Company, entered into an agreement to form two limited companies in Macau. The two companies are formed to apply for the gaming intermediary licenses, which will be required under the Gaming Intermediaries Regulation of Macau for carrying out gaming intermediary operation within Macau in the future. The said application was submitted to the Macau government and it is still under processing.



In order to enhance the Group's existing strength in the travel and gaming related business and to broaden the Group's array of business in the sector, the Group acquired approximately 2.8% beneficial interest in the gaming intermediary business on board Omar III cruiser in September 2004. The investment has made good progress, and the management is particularly pleased to announce that positive contributions were already recorded within the first three months after the acquisition.

In October 2004, Hong Kong Macau Marketing Limited ("HKMML"), a wholly owned subsidiary, was formed in Macau to provide marketing and public relation services to the Group's gaming intermediary activities. Moreover HKMML would become the main platform of the Group to seek further opportunities to increase her exposure in the gaming intermediary cooperator business.

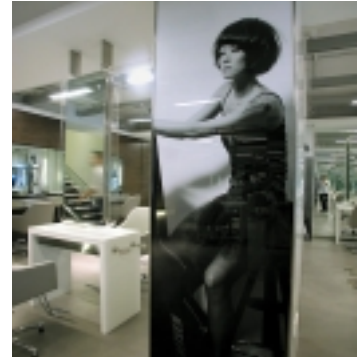
Besides the business operation in Macau, the Group has also made efforts to gain further development in the region to create new and value-added services to her valuable customers. The Group invested approximately 11% equity interest in Diamond (Subic) Entertainment Limited which owns Subic Diamond Entertainment Corporation ("SDEC"). SDEC is a limited company incorporated in Philippines and is principally engaged in conducting gaming intermediary activity for Subic Diamond Casino situated in the Subic Bay Freeport Zone, Philippines. SDEC also gets herself involved in the management and daily operation of the casino. Soft opening of the casino recently took place in March 2005 and the grand opening is scheduled in May 2005. This investment is expected to generate synergies with the Group's existing business and marks a strategic move of the Group by extending her gaming businesses beyond Macau into the South East Asia region. Furthermore it also helps the Group to build and retain stronger relationships with overseas network, paving way for our future expansion.



Other Business Segments

The Group's businesses in the health and beauty services sector are dedicated to offer comprehensive hair care, beauty, health services as well as related products to the vogue crowd.

Our premium salon, Headquarters, is one of the most influential and leading salons in town. Her dedicated team of stylists has gained increasingly popularity among the young and stylish generation. Headquarters' flagship store, which was opened last year, has won the prize in the commercial category of the 2004 Asia Pacific Interior Design Awards. Capitalizing the talent of the stylists, the unique design of the store as well as her attention-grabbing location, the leading position of Headquarters is further reinforced and recognized.



With the aggressive promotion strategy and brand building campaign, Spa D'or has doubled her turnover in 2004. Moreover Spa D'or has been continuously improving her cash flow position while broadening and consolidating her client base at the same time. In order to assure Spa D'or can retain her strong positioning within the beauty industry, the Group is actively looking for suitable location in town for future expansion.

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The Group launched her first retail counter for nail service, Nailquarters, at Beaute @ Sogo, Causeway Bay in April 2005. The management is delighted with the positive response from most of the customers. The investment in Nailquarters should also create synergies to the Group's existing health and beauty business.

Although the Group's health and beauty services division has made a lot of positive movements in last year, the division experienced loss and eroded the profitability of the Group's other businesses in 2004. In order to improve the situation and avoid the same scenario in the future, merger and acquisition and/or restructuring of the division may be needed. However no definite plan is yet to be confirmed at the moment.

LOOKING FORWARD

Supported by the measures undertaken by the Mainland Chinese government, both Hong Kong and Macau are expected to benefit from the significantly expanded tourist crowd through the "Individual Traveling Scheme". Capitalizing on the buoyant tourist industry, both Hong Kong and Macau have made continuous efforts to upgrade and further develop different tourist attractions such as the Disneyland in Hong Kong and the Fisherman's Wharf in Macau to meet with the surging demand. The inflow of tourists should continue to escalate and as a result, help delivering strong and positive business growth momentum to the Group.

My Letter to Shareholders

As Asian countries recognize the unbelievable growth prospects of the travel and gaming businesses, Macau, with her long-established history and expertise in the gaming industries, will have particular advantages in becoming the market leader in the region. The enormous capital investments from the major casino concessionaires and their alliances in Macau will continuously contribute to Macau's prosperity. As a result, the Group is confident that the gaming intermediary business as well as the gaming intermediary cooperator business could gain sufficient momentum and achieve strong performances in the coming years. The strategy of the Group is again, to develop and focus in business that the management has the required knowledge and is capable to operate well to improve the returns. Maximizing shareholder's value is the management's ultimate objective and it always will be. The Board of Directors will continue to explore investment opportunities and in particular, with business which has synergy to the Group's existing businesses as well as her client base. This will ensure that the most favorable returns can be generated to her shareholders.



On 11 April 2005, trading in the shares of the Company had been suspended pending on the release of an announcement in relation to a very substantial acquisition transaction (Please refer to further announcement to be made by the Company on the above-mentioned transaction for details). This transaction should be and will be very meaningful to the Group. The transaction will have a definite impact on the overall businesses of the "entire" Group.

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For and on behalf of all the Directors, I thank all my colleagues within the Group for their hard work last year and hope that all of us can keep up the good work as well as the morale in the coming years.

I personally would like to take this opportunity to express my sincere thanks and appreciation for all the support from Mr. C.K. Lee.

With my deepest and warmest regards

TSANG Chiu Mo Samuel

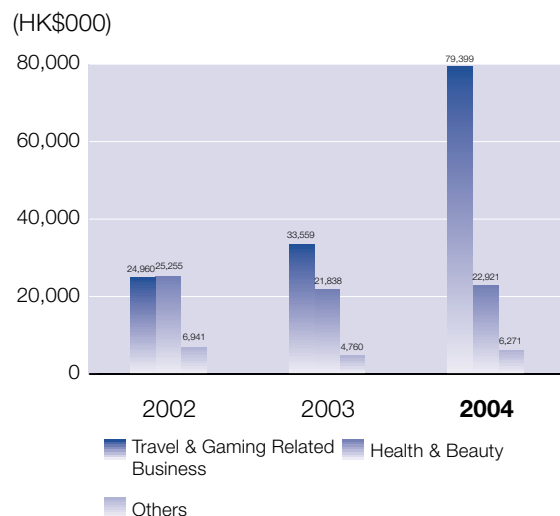
Executive Chairman

Hong Kong, 16 April 2005

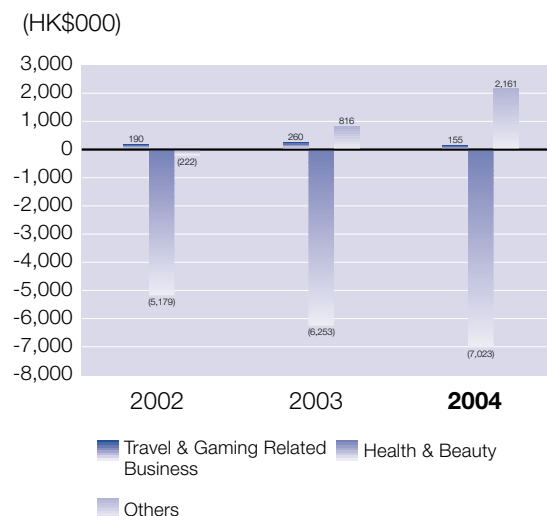
Management Discussion and Analysis

OPERATION REVIEW

Segment Turnover



Segment Result



Century Legend (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the provision of travel agency services and gaming related business in Macau. In 2004, the economic rebound in Hong Kong encouraged consumer spending. There was a remarkable progress in the travel, entertainment, retail and gaming-related industries.

Travel and Gaming Related Business

Benefited from measures taken by the Chinese authorities to allow increased number of individual tourists visiting Hong Kong and Macau, the Group achieved a significant growth in revenue generated from the provision of travel and agency services. Total turnover for the travel sector recorded a 137% surge to HK\$79 million. Due to the keen competition in the market and the slim gross profit margin, the segment recorded a profit of HK\$155,000 compared to that of HK\$260,000 in 2003. The Group is confident that the flourishing economy in Macau and China individual visit scheme will continue to be a driving force to the Group's travel and gaming related businesses.

Health and Beauty Businesses

The Group's businesses in the health and beauty sector continued to achieve stable performances. The segment turnover was approximately HK\$23 million representing an increase of 5% from last year. The loss of the sector was HK\$7 million, reflecting an increase of 12% from last year. Although the profitability was temporarily undermined by the capital investment in the new salon and the higher overheads, Headquarters has attained a visible increase in turnover for the year, and has proved to be very successful in building brand and customers' loyalty with an uncompromising standards of service and product excellence.

Management Discussion and Analysis

Despite the minimal improvement in loss for Spa D'or during the year, it has sustained a healthy cash flow and enhanced brand awareness. In fact, Spa D'or recorded noticeable growth in terms of membership numbers and its success rate in selling beauty packages for the year. Cash generated from the sale of beauty packages is almost three fold of last year.

The management is aiming at developing a "service-driven and product-oriented" business.

Other Business Segments

Loan interest income and net profit of money lending segment for the year was approximately HK\$4.5 million and HK\$4 million respectively, representing an increase of 59% and 58% from last year as a result of surplus fund of the Group being fully utilized to generate higher interest income.

Although the turnover of stock broking doubled to HK\$751,000 in year 2004, the segment loss was reduced 13% as compared with last year.

The turnover of trading segment further reduced to HK\$1 million in year 2004 as to HK\$1.6 million in 2003. Segment loss for the year was HK\$548,000 compared to loss of HK\$232,000 in 2003 as a result of the business segment down sizing.

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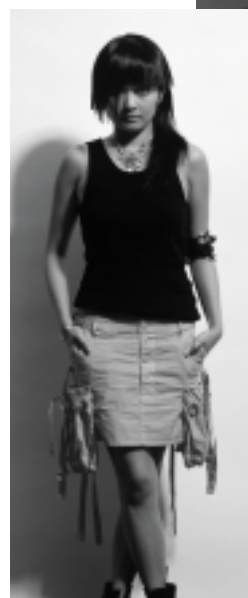
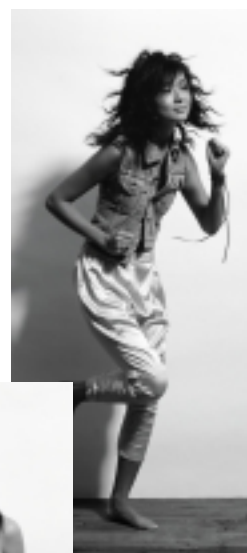
FINANCIAL REVIEW

Financial Performance

The Group's consolidated turnover for the year was HK\$109 million, and increase of 81% from that of last year. The net profit of the Group attributable to shareholders was approximately HK\$2.5 million for the year compared to that of a net loss of HK\$5.4 million in last year. It was mainly attributable to a share of profits of associates of HK\$7.4 million in 2004. Excluding the share of profits of associates and gain on disposal of a subsidiary, the Group's net loss was about HK\$4.9 million reduced by 67% as compared to that of year 2003. This could be attributed to the contribution from Group's investment in gaming intermediaries.

The other revenues was increased by 294% to HK\$10 million mainly as a result of increase in investment return from gaming intermediaries, management fee income and profit on disposals of listed securities.

As at 31 December 2004, the Group's net asset value was HK\$68 million and had a net asset value per share of HK\$0.03. The Group's total assets and liabilities were HK\$141 million and HK\$73 million respectively.



Management Discussion and Analysis

Liquidity and Financial Resources

For the year ended 31 December 2004, the Group financed its operations and investing activities by its internal resources as well as from the issue of convertible notes of HK\$45 million in January 2004. The Group generated net cash flows from operating activities of approximately HK\$8 million (2003: net cash outflows HK\$16.1 million). As at 31 December 2004, cash and cash equivalents of the Group amounted to approximately HK\$47 million (31 December 2003: HK\$44 million).



The Group had net current assets of approximately HK\$51 million (2003: HK\$49 million). The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2004 was approximately 2.7 (2003: 1.9). The gearing ratio (calculated as the total long term loan to the total shareholders' equity) of the Group as at 31 December 2004 was 0.6 (2003: zero).

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

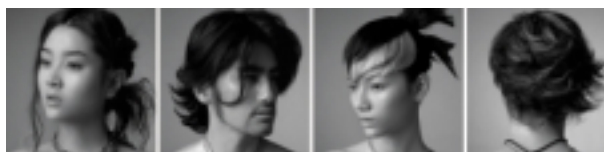
The Group had no assets pledged during the year under review. As at 31 December 2004, neither the Company nor the Group had any significant contingent liabilities or capital commitments (2003: Nil).

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Capital Structure

During the year under review, a wholly-owned subsidiary of the Company issued convertible notes of aggregate principal amount HK\$45 million with maturity date on 14 January 2007. The convertible notes can be converted into ordinary shares of the Company at a conversion price of HK\$0.3 per share (subject to adjustments from time to time in accordance with the provisions set out in the subscription agreement) during the period from 15 January 2005 to 14 January 2007. During the year, a convertible note of HK\$3 million had been redeemed before maturity by mutual agreement between the Company and the noteholder.

The balance of the convertible note of HK\$42 million were fully converted into 139,999,994 ordinary shares of the Company at a conversion price of HK\$0.3 per share in January 2005.



Management Discussion and Analysis

Material Acquisitions and Disposals

In February 2004 the Group further acquired 10% interest in gaming intermediaries in Macau for an aggregate cash consideration of HK\$23.4 million after the Group acquired 5% interest in the same gaming intermediaries in November 2003.

In September 2004, the Group acquired approximately 2.8% business interest in a gaming intermediary business on board Omar III cruiser for a consideration of HK\$15 million.

On 11 April 2005, trading in the shares of the Company had been suspended pending the release of an announcement in relation to a very substantial acquisition transaction. Details please refer to further announcement to be made by the Company on the above-mentioned transaction.



Employment Information

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As at 31 December 2004, the Group employed approximately a total of 129 employees (2003:105). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 December 2004, the total staff costs (excluding Directors' emoluments) amounted to approximately HK\$14.5 million (2003: HK\$14.2 million).



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively the "Group") are set out in note 14 to the financial statements. An analysis of the Group's performance for the year by business is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 24 to 61.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

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DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$200,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2004, the distributable reserves of the Company available for distribution as dividend amounted to HK\$80,220,000 represented by the contributed surplus of HK\$213,978,000 after compensating the accumulated losses of HK\$133,758,000. Under the Bermuda Companies Act, the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

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

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

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

Executive Directors:

Mr. TSANG Chiu Mo Samuel	<i>(appointed as Executive Chairman on 7 April 2004)</i>
Ms. CHU Ming Tak Evans Tania	
Mr. TSANG Chiu Ching	

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Independent Non-executive Directors:

Mr. YU Yun Kong	
Mr. SZETO King Pui Albert	<i>(resigned on 19 July 2004)</i>
Mr. CHEUNG Ka Wai	<i>(resigned on 3 January 2005)</i>
Mr. HUI Yan Kit	<i>(appointed on 19 July 2004)</i>
Mr. HUNG Sui Kwan	<i>(appointed on 3 January 2005)</i>

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

DIRECTORS' SERVICE CONTRACTS

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

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

Mr. SZETO King Pui Albert, one of the Independent Non-executive Directors of the Group during the year, is a partner of Chiu, Szeto & Cheng Solicitors, a firm of solicitors in Hong Kong which provides legal and professional services to the Group and receives professional fees for such services at market rates.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors:

Mr. TSANG Chiu Mo Samuel, aged 32, brother of the Company's Executive Director, Mr. TSANG Chiu Ching, was appointed as Executive Chairman in April 2004. He is responsible for the Group's strategic planning, business development and corporate finance portfolio. Mr. Tsang is a director of Barsmark Investments Limited, a substantial shareholder of the Company and a director of China Sky Investments Limited and China Sky Finance Limited.

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

Ms. CHU Ming Tak Evans Tania, aged 47, joined the Group in 1999 and was appointed as Executive Director in January 2001. She is responsible for overseeing the Group's financial and investment related activities.

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

Mr. TSANG Chiu Ching, aged 29, brother of the Company's Executive Chairman, Mr. TSANG Chiu Mo Samuel, was appointed as Executive Director in September 1999. He is responsible for the evaluation and implementation of business development strategies, as well as investment activities. Mr. TSANG is also a director of Barsmark Investments Limited, a substantial shareholder of the Company and a director of China Sky Investments Limited and China Sky Finance Limited.

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

Independent Non-Executive Directors:

Mr. YU Yun Kong, aged 38, was appointed as an Independent Non-executive Director in January 2001. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. SZETO King Pui Albert, aged 50, was appointed as an Independent Non-executive Director in January 2000. Mr. SZETO is a qualified solicitor in England and Wales and Hong Kong and a partner of Chiu, Szeto and Cheng Solicitors in Hong Kong.

Mr. CHEUNG Ka Wai, aged 35, was appointed as an Independent Non-executive Director in November 2002. He is currently working as a finance manager in an international corporation which provides financial management services.

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

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

Directors' Report

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

As at 31 December 2004, the interests and short positions of each of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

Long position in shares

Name of Director	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Mr. TSANG Chiu Ching	Beneficial	2,260,000	0.1%
	Corporate	1,078,383,900 (note)	52.2%
Mr. TSANG Chiu Mo Samuel	Corporate	1,078,383,900 (note)	52.2%

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

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

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those in respect of the Directors and chief executive as disclosed above.

Long position in shares

Name of shareholder	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Barsmark Investments Limited	Beneficial	1,078,383,900	52.2%
China Sky Investments Limited (Note)	Corporate	1,078,383,900	52.2%
Conba Investments Ltd. (Note)	Corporate	1,078,383,900	52.2%
Sky Shore Limited (Note)	Corporate	1,078,383,900	52.2%
Fortune Ocean Limited (Note)	Corporate	1,078,383,900	52.2%
Ms. TSANG Chiu Yuen Sylvia (Note)	Corporate	1,078,383,900	52.2%

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

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

MANAGEMENT CONTRACTS

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

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

– the largest customer	2%
– five largest customers combined	4%

Purchases

– the largest supplier	93%
– five largest suppliers combined	96%

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

CONNECTED TRANSACTIONS

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In December 2004, China Sky Investments Limited ("China Sky"), the ultimate holding company, acquired 85% interest in each of the two unincorporated syndicates from the then syndicate partners of the Company. China Sky is beneficially interested in 52.2% issued share capital of the Company as at 31 December 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the Directors were not appointed for a specific term but subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-Laws of the Company.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. YU Yun Kong, Mr. HUI Yan Kit and Mr. HUNG Sui Kwan. Two meetings were held during the current financial year. Audit Committee had met with the management of the Company and the auditors to review the final results, considered the significant accounting policies, and discussed with the management of the Group's internal control system. The Group's consolidated financial statements for the year ended 31 December 2004 have been reviewed and approved by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 27 to the financial statements.

AUDITORS

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The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

PricewaterhouseCoopers were auditors of the Company for the year ended 31 December 2002. Apart from this, there has been no other change of auditors in the past three years.

On behalf of the Board

CHU Ming Tak Evans Tania

Executive Director

Hong Kong, 16 April 2005

Certified Public Accountants
Hong Kong Member Firm of
Grant Thornton International

Grant Thornton 
均富會計師行

TO THE MEMBERS OF CENTURY LEGEND (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 61 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.

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Basis of opinion

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

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

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

- (1) As detailed in note 16 to the financial statements, on 19 November 2003 and 4 February 2004, the Group acquired an aggregate of 15% (2003: 5%) interest in each of the two unincorporated syndicates of which the principal activities are the carrying out of junket operations (the "Investment") and the cost for acquiring the Investment amounting to approximately HK\$35.0 million (2003: HK\$11.6 million) has been included under "Investments" in the consolidated balance sheet. We have not been able to obtain sufficient documentary evidence to ascertain the existence of the Investment, the Group's ownership in the Investment and to assess whether there was any impairment in respect of the carrying value of the Investment. There were no alternative procedures that we could adopt to satisfy ourselves regarding the existence of the Investment, the ownership of the Investment

by the Group and the valuation of the Investment as at 31 December 2004 and 31 December 2003. Accordingly, we have not been able to ascertain the appropriateness of the recognition of the investment return arising from the Investment amounting to HK\$5.5 million as included under "Other revenue" for the year ended 31 December 2004 as set out in note 3 to the financial statements. Any adjustments found to be necessary as a result of the scope limitations would have a consequential effect on the Group's profit for the year and its net assets as at 31 December 2004 and 31 December 2003.

- (2) As detailed in note 15(3) to the financial statements, on 14 September 2004, the Group acquired 43% issued share capital of an associated company incorporated in the British Virgin Islands (the "Associate") at the consideration of HK\$15 million. The Group accounted for its interest in the Associate using equity method and the Group's interest in the Associate was HK\$14,843,000 (the "Interest in Associate") as at 31 December 2004. No audited financial statements of the Associate were made available to us and there were no alternative procedures that we could adopt to satisfy ourselves as to whether there was any impairment in respect of the Interest in Associate as at the balance sheet date. Any adjustments found to be necessary as a result of the scope limitations would have a consequential effect on the Group's profit for the year and its net assets as at 31 December 2004.

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

Qualified opinion arising from limitation of audit scope

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Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the existence of the Investment, the Group's ownership in the Investment, the carrying value of the Investment, the Group's entitlement to the investment return from the Investment during the year and the valuation of the Interest in Associate as mentioned above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Grant Thornton

Certified Public Accountants

Hong Kong, 16 April 2005

Consolidated Income Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	3	108,591	60,157
Cost of sales		(89,614)	(43,217)
Gross profit		18,977	16,940
Other revenue	3	10,042	2,551
Administrative expenses		(32,846)	(31,955)
Other operating expenses		(2,604)	(3,284)
Gain on disposal of a subsidiary		20	9,583
Loss from operations	4	(6,411)	(6,165)
Finance costs	5	(1,275)	–
Share of profits/(losses) of associates		7,430	(60)
Loss before taxation		(256)	(6,225)
Taxation	6	–	–
Loss before minority interests		(256)	(6,225)
Minority interests		2,776	796
Profit/(Loss) attributable to shareholders	7	2,520	(5,429)
Earnings/(Loss) per share	8		
– basic		HK0.12 cents	HK(0.26) cents

Consolidated Balance Sheet

As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	12	600	1,200
Property, plant and equipment	13	4,536	3,611
Interest in associates	15	14,843	–
Investments	16	35,047	11,681
Loans receivable	17	679	1,599
Advance to an investee company	16(2)	4,000	–
		59,705	18,091
Current assets			
Inventories	18	446	314
Trading securities	19	105	4,154
Trade and other receivables	20	12,423	30,350
Loans receivable, current portion	17	21,276	25,855
Cash at banks and in hand		46,782	43,584
		81,032	104,257
Current liabilities			
Trade payables	21	7,940	6,573
Other payables and accruals		19,507	41,069
Amount due to an associate		–	7,120
Deferred income		2,989	945
		30,436	55,707
Net current assets		50,596	48,550
Total assets less current liabilities		110,301	66,641

Consolidated Balance Sheet

As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current liabilities			
Convertible notes	22	42,000	–
Minority interests		–	860
Net assets		68,301	65,781
CAPITAL AND RESERVES			
Share capital	23	20,650	20,650
Reserves	24	47,651	45,131
Shareholders' funds		68,301	65,781

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On behalf of the Board

TSANG Chiu Mo Samuel

Director

CHU Ming Tak Evans Tania

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Total equity as at 1 January		65,781	71,210
Profit/(Loss) for the year	24	2,520	(5,429)
Total equity as at 31 December		68,301	65,781

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities		
Loss before taxation	(256)	(6,225)
Adjustments for:		
Depreciation of property, plant and equipment	2,435	3,197
Amortisation of goodwill	757	2,527
Impairment of goodwill	1,916	–
Loss on disposal of property, plant and equipment	40	57
Deficit arising on revaluation of leasehold property	–	925
Profit on disposals of listed securities	(1,550)	(823)
Unrealised gains on trading securities	(69)	(225)
Gain on disposal of a subsidiary	(20)	(9,583)
Bank interest income	(52)	(251)
Dividend income from listed securities	(140)	(182)
Investment return from unincorporated syndicates	(5,494)	–
Interest expenses	1,275	–
Share of (profits)/losses of associates	(7,430)	60
Operating loss before working capital changes	(8,588)	(10,523)
Decrease/(Increase) in loans receivable	5,499	(10,028)
Increase in inventories	(132)	–
Increase in trade and other receivables	(1,403)	(5,513)
Increase in trade payables, other payables and accruals	10,532	9,660
Increase in deferred income	2,044	262
Net cash inflow/(outflow) from operations	7,952	(16,142)
Tax refund	–	7
<i>Net cash generated from/(used in) operating activities</i>	7,952	(16,135)

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,236)	(278)
Proceeds from disposal of property, plant and equipment		4	10
Acquisition of a subsidiary, net of cash acquired		–	(2,395)
Disposal of a subsidiary	25(a)	850	9,615
Deposits refunded/(paid) for acquisition of investments		20,000	(12,200)
Acquisition of interest in unincorporated syndicates		(23,400)	(11,645)
Acquisition of an associate		(15,000)	–
Advance to an investee company		(4,000)	–
Purchases of trading securities		(3,087)	(4,770)
Proceeds from disposals of listed securities		8,789	5,820
Interest received		52	251
Investment return received from unincorporated syndicates		4,833	–
Dividend received from listed securities		140	182
Dividend received from an associate		301	–
<i>Net cash used in investing activities</i>		(14,754)	(15,410)
Cash flows from financing activities			
Proceeds from issue of convertible notes	25(b)	13,000	32,000
Early redemption of a convertible note		(3,000)	–
<i>Net cash generated from financing activities</i>		10,000	32,000
Net increase in cash and cash equivalents		3,198	455
Cash and cash equivalents at 1 January		43,584	43,129
Cash and cash equivalents at 31 December, comprising cash at banks and in hand		46,782	43,584

Balance Sheet

As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	14	118,117	120,753
Current assets			
Other receivables and deposits		366	555
Cash at banks and in hand		23,195	22,095
		23,561	22,650
Current liabilities			
Other payables and accruals		710	1,159
		710	1,159
Net current assets		22,851	21,491
Total assets less current liabilities/Net assets		140,968	142,244
CAPITAL AND RESERVES			
Share capital	23	20,650	20,650
Reserves	24	120,318	121,594
Shareholders' funds		140,968	142,244

On behalf of the Board

TSANG Chiu Mo Samuel
Director

CHU Ming Tak Evans Tania
Director

1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of travel agency services and gaming related services, health and beauty services, money lending business, provision of stock broking service, trading business and investments in gaming related business. Details of the principal activities of the Company’s subsidiaries are set out in note 14. The Directors consider the ultimate holding company to be China Sky Investments Limited, a company incorporated in the British Virgin Islands.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements on page 24 to 61 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements are prepared under the historical cost convention as modified by the revaluation of trading securities and leasehold properties.

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(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

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

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

The gain or loss on disposal of a subsidiary represents the difference between the proceeds from the sale and the Group’s share of its net assets together with any unamortised goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

(d) Associates

An associate is an enterprise, not being a subsidiary or a joint venture, in which the Group has significant influence.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of net assets of the associates.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except for unrealised losses, where the transaction provides evidence of an impairment of the asset transferred.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(e) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired as at the date of acquisition. In respect of subsidiaries, goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Goodwill (continued)

In respect of acquisition of associates, goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of goodwill less accumulated amortisation and impairment losses is included in the carrying amount of the interest in associates.

(f) Property, plant and equipment

(i) Measurement bases

Property, plant and equipment other than leasehold properties are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Leasehold properties are interests in land and buildings and are stated at fair value which is determined by the Directors based on independent valuations which are performed every three years. The valuations are on an open market basis related to individual property and separate values are not attributed to land and buildings. In the intervening years, the Directors review the carrying value of the leasehold properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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(ii) Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	2%
Buildings	8%
Leasehold improvements	25 – 33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	20 – 33 $\frac{1}{3}$ %

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

(iii) Gain or loss on disposal

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

(h) Investments in securities

(i) Investment securities

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

(ii) Trading securities

Trading securities are securities which are held for trading purposes and are carried at fair value. Changes in fair value of trading securities are recognised in the income statement as they arise.

(iii) Gain or loss on disposal

Gain or loss on disposal of investments in securities, representing the difference between the net sales proceeds and the carrying amounts of the securities, is recognised in the income statement as the disposal occurs.

(i) Interest in unincorporated syndicates

Interest in unincorporated syndicates is intended to be held on a continuous basis for an identified long-term purpose and is stated at cost less provision for impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Inventories

Inventories comprise finished goods and consumable stocks and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises invoiced value of goods and appropriate transportation cost. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

(k) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(m) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For investment securities carried at cost, their carrying amounts are reviewed at the balance sheet date in order to assess whether the fair value of such securities has declined below the carrying amount. If such a decline occurs the carrying amount of the investment securities is reduced to the fair value unless there is evidence that the decline is temporary.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

The Group operates a number of defined contribution plans, the assets of which are held in separate trustee-administered funds. The retirement plans are generally funded by payments from employees and by the relevant Group companies.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(ii) Retirement benefits (continued)

The Group's contributions to the defined contribution plans are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

(q) Income tax

Income tax comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

Notes to the Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) **Income tax** (continued)

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(r) **Borrowing costs**

All borrowing costs are charged to the income statement in the year in which they are incurred.

(s) **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(t) **Revenue recognition**

Revenue from the sale of goods is recognised when the goods are delivered to customers.

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

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

Commission income is recognised when the agreed services are provided.

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

Dividend income is recognised when the Group's right as a shareholder to receive payment is established.

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(u) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, loans receivable, inventories, trade and other receivables and operating cash, and mainly exclude investments, interest in associates, advance to investee company, trading securities and non-operating cash. Segment liabilities comprise operating liabilities and exclude items such as convertible notes. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisition of subsidiary.

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

(v) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Notes to the Financial Statements

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sale of traveling packages	79,399	33,559
Health and beauty services	22,921	21,838
Interest income from money lending business	4,493	2,820
Brokerage and commission income	751	368
Sale of goods	1,027	1,572
	108,591	60,157
Other revenue		
Bank interest income	52	251
Management fee income	1,541	78
Dividend income from listed securities	140	182
Investment return from unincorporated syndicates	5,494	–
Profit on disposals of listed securities	1,550	823
Operating lease rental income	655	856
Other income	610	361
	10,042	2,551
Total revenue	118,633	62,708

Primary reporting format – business segments

The Group is organised into five main business segments:

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

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

Notes to the Financial Statements

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

2004	Travel and gaming related business HK\$'000	Health and beauty services HK\$'000	Money lending HK\$'000	Stock broking HK\$'000	Trading HK\$'000	Group HK\$'000
Segment revenue						
– Turnover	79,399	22,921	4,493	751	1,027	108,591
– Other revenue	1,611	412	2	119	1	2,145
Unallocated revenue/gain						7,897
						118,633
Segment results	155	(7,023)	3,999	(1,290)	(548)	(4,707)
Unallocated revenue/gain						7,917
Unallocated costs						(9,621)
Loss from operations						(6,411)
Finance costs						(1,275)
Share of profits of associates						7,430
Loss before taxation						(256)
Taxation						-
Loss before minority interests						(256)
Minority interests						2,776
Profit attributable to shareholders						2,520
Segment assets	6,342	9,685	25,189	16,415	743	58,374
Unallocated assets						82,363
Total assets						140,737
Segment liabilities	(381)	(6,560)	(107)	(7,519)	(90)	(14,657)
Unallocated liabilities						(57,779)
Total liabilities						(72,436)
Segment capital expenditure	47	4,122	-	-	-	4,169
Unallocated capital expenditure						67
Total capital expenditure						4,236
Depreciation	18	1,493	-	70	-	1,581
Unallocated depreciation						854
Total depreciation						2,435
Amortisation of goodwill	-	-	-	600	-	600
Unallocated amortisation of goodwill						157
Total amortisation of goodwill						757
Impairment of goodwill	-	1,916	-	-	-	1,916

Notes to the Financial Statements

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

2003	Travel and gaming related business HK\$'000	Health and beauty services HK\$'000	Money lending HK\$'000	Stock broking HK\$'000	Trading HK\$'000	Group HK\$'000
Segment revenue						
– Turnover	33,559	21,838	2,820	368	1,572	60,157
– Other revenue	106	207	3	3	26	345
Unallocated revenue/gain						2,206
						62,708
Segment results	260	(6,253)	2,539	(1,491)	(232)	(5,177)
Unallocated revenue/gain						11,788
Unallocated costs						(12,776)
Loss from operations						(6,165)
Share of losses of associates						(60)
Loss before taxation						(6,225)
Taxation						–
Loss before minority interests						(6,225)
Minority interests						796
Loss attributable to shareholders						(5,429)
Segment assets	2,984	6,615	33,425	10,356	740	54,120
Unallocated assets						68,228
Total assets						122,348
Segment liabilities	(2,439)	(3,605)	(4,113)	(4,158)	(18)	(14,333)
Unallocated liabilities						(41,374)
Total liabilities						(55,707)
Segment capital expenditure	–	106	–	2,024	–	2,130
Unallocated capital expenditure						68
Total capital expenditure						2,198
Depreciation	34	1,080	–	70	–	1,184
Unallocated depreciation						2,013
Total depreciation						3,197
Amortisation of goodwill	–	1,927	–	600	–	2,527

Unallocated revenue above includes investment return from interest in unincorporated syndicates (note 16(1)) of HK\$5,494,000 (2003: Nil).

Secondary reporting format – geographical segments

No geographical analysis is provided as less than 10% of the consolidated turnover, less than 10% of the consolidated trading results and less than 10% of the total assets of the Group are attributable to markets outside Hong Kong.

Notes to the Financial Statements

4. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations is arrived at after crediting:		
Unrealised gains on trading securities*	69	225
and after charging:		
Staff costs (note 9)	15,414	15,204
Amortisation of goodwill*	757	2,527
Impairment of goodwill*	1,916	–
Cost of inventories sold	79,856	34,501
Depreciation of property, plant and equipment	2,435	3,197
Deficit arising from revaluation of leasehold property	–	925
Loss on disposal of property, plant and equipment	40	57
Operating lease charges – land and buildings	6,162	7,630
Auditors' remuneration	563	540
Exchange loss, net	19	137

* included in other operating expenses

5. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest charges on :		
Bank loan	6	–
Convertible notes (note 22)	1,269	–
	1,275	–

Notes to the Financial Statements

6. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit for the year (2003: Nil).

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	256	6,225
Tax at applicable rate of 17.5%	45	1,089
Tax effect of non-deductible expenses	(1,808)	(984)
Tax effect of non-taxable revenue	3,128	1,763
Utilisation of tax losses previously not recognised	682	338
Tax losses not recognised as deferred tax assets	(2,335)	(1,746)
Other temporary differences not recognised	288	(460)
Actual tax expense	—	—

At 31 December 2004, the Group had deferred tax assets of HK\$30,165,000 (2003: HK\$28,512,000) arising from tax losses. The deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

7. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated profit attributable to shareholders of HK\$2,520,000 (2003: loss of HK\$5,429,000), a loss of HK\$1,276,000 (2003: HK\$1,536,000) has been dealt with in the financial statements of the Company.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$2,520,000 (2003: loss of HK\$5,429,000) and 2,064,960,000 (2003: 2,064,960,000) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 December 2004 was not presented because the impact of the exercise of the convertible notes was anti-dilutive.

Notes to the Financial Statements

9. STAFF COSTS

	2004 HK\$'000	2003 HK\$'000
Directors' emoluments (note 11(a))	942	1,010
Other staff		
Wages and salaries	11,836	10,351
Commission	2,045	3,189
Retirement benefit costs	590	606
Others	1	48
	15,414	15,204

10. RETIREMENT BENEFITS

The Group's mandatory provident fund ("MPF Scheme") contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance up to a maximum of HK\$1,000 per employee per month ("MPF Contribution"). Contribution for certain employees includes the aforesaid MPF Contribution of HK\$1,000 per employee plus a corresponding amount of voluntary contribution made by the respective employee ("Voluntary Contribution") up to a maximum of HK\$4,000 per employee. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$5,000 per month. The Group's Voluntary Contributions may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK\$34,802 (2003: HK\$63,198) were utilised during the year and there was no forfeited contribution available to reduce future contributions at the balance sheet date (2003: HK\$10,951).

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

Total contributions paid by the Group into the MPF Scheme and charged to the consolidated income statement during the year, including contributions to the Directors, amounted to approximately HK\$616,000 (2003: HK\$645,000).

Contributions totalling HK\$50,939 (2003: HK\$57,575) were payable to the MPF Scheme at the year end and are included in other payables and accruals.

Notes to the Financial Statements

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2004 HK\$'000	2003 HK\$'000
Fees	378	557
Other emoluments		
Basic salaries, allowances and benefits in kind	516	414
Discretionary bonuses	22	–
Retirement benefit costs	26	39
	942	1,010

The emoluments of the Directors fell within the following band:

	Number of Directors	
Emolument band	2004	2003
Nil – HK\$1,000,000	7	6

No emolument was paid to the Independent Non-executive Directors during the years ended 31 December 2004 and 2003.

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 31 December 2004 and 2003.

During the years ended 31 December 2004 and 2003, no emoluments were paid by the Group to the Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2003: one) Director whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining four (2003: four) highest paid individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, allowances and benefits in kind	1,630	1,581
Retirement benefit costs	75	55
	1,705	1,636

The emolument of each of the remaining four (2003: four) highest paid individuals fell within the emolument band of nil – HK\$1,000,000.

12. GOODWILL

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	Group 2004 HK\$'000	2003 HK\$'000
As 1 January	1,200	1,927
Acquisition of a subsidiary	1,916	1,800
Amortisation charge	(600)	(2,527)
Impairment of goodwill	(1,916)	–
As 31 December	600	1,200

During the year, the Group acquired further 45% equity interest in Grand Mutual Investment Limited and goodwill of HK\$1,916,000 had arisen as a result of the acquisition. However, since the business nature of the subsidiary had changed during the year, the Directors consider that the goodwill was impaired and an impairment charge on the full amount of the goodwill was made at year end.

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold properties in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost or valuation				
At 1 January 2004	850	7,565	5,590	14,005
Additions	–	3,250	986	4,236
Disposal of a subsidiary	(850)	–	–	(850)
Other disposals	–	(2,671)	(1,104)	(3,775)
At 31 December 2004	–	8,144	5,472	13,616
Accumulated depreciation				
At 1 January 2004	–	6,719	3,675	10,394
Charge for the year	18	1,316	1,101	2,435
Disposal of a subsidiary	(18)	–	–	(18)
Other disposals	–	(2,661)	(1,070)	(3,731)
At 31 December 2004	–	5,374	3,706	9,080
Net book value				
At 31 December 2004	–	2,770	1,766	4,536
At 31 December 2003	850	846	1,915	3,611

Notes to the Financial Statements

14. INTEREST IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	86,218	86,218
Less: provision for impairment	(30,000)	(30,000)
	56,218	56,218
Amounts due from subsidiaries	150,806	153,442
Less: provision for impairment	(88,907)	(88,907)
	61,899	64,535
	118,117	120,753

The amounts due from subsidiaries are unsecured, interest-free and not repayable within 12 months from the balance sheet date.

Particulars of the subsidiaries at 31 December 2004 are as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued capital	Percentage of issued capital held by the Company
Held directly:				
Century Legend Investments Limited	British Virgin Islands	Investment holding in Hong Kong	63,000 Ordinary shares of US\$0.01 each	100%
Century Legend Management Limited	Hong Kong	Provision of properties management services in Hong Kong	1,000,000 Ordinary shares of HK\$1 each	100%
Hong Kong Macau Travel and Entertainment Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Century Legend Nominees Limited	British Virgin Islands	Holding nominees shares for the Group in Hong Kong	1 Ordinary share of US\$1 each	100%

Notes to the Financial Statements

14. INTEREST IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued capital	Percentage of issued capital held by the Company
Held indirectly:				
Century Legend Finance Limited	Hong Kong	Provision of commercial and personal loans in Hong Kong	10,000,000 Ordinary shares of HK\$1 each	100%
Century Legend Securities Limited	Hong Kong	Stock broking in Hong Kong	10,000,000 Ordinary shares of HK\$1 each	100%
Century Legend Strategic Investments Limited	Hong Kong	Investment holding in Hong Kong	10,000,000 Ordinary shares of HK\$1 each; 5,000,000 Non-voting deferred shares (note 1) of HK\$1 each	100%
Hong Kong Macau Trading Limited	Hong Kong	Trading of general merchandises in Hong Kong	100 Ordinary shares of HK\$1 each	100%
Hong Kong Macau Travel Limited	Hong Kong	Provision of travel agency services in Hong Kong	500,000 Ordinary shares of HK\$1 each	100%
Hong Kong Macau Junket Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Century Amusement Production Limited	Hong Kong	Inactive	10,000 Ordinary shares of HK\$1 each	100%
SVC Investments Limited	British Virgin Islands	Investment holding in Hong Kong	100 Ordinary shares of US\$1 each	100%
Spa D'or Limited	Hong Kong	Provision of health and beauty services in Hong Kong	10,000 Ordinary shares of HK\$1 each	100%

Notes to the Financial Statements

14. INTEREST IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued capital	Percentage of issued capital held by the Company
Held indirectly:				
Headquarters Limited	Hong Kong	Investment holding and operation of a hair salon under the brand name of "Headquarters" in Hong Kong	150,000 Ordinary shares of HK\$1 each	55%
Grand Mutual Investment Limited	Hong Kong	Provision of management services for the Group in Hong Kong	500,000 Ordinary shares of HK\$1 each	100%
Hong Kong Macau Travel Services Limited (formerly known as "Grand Macau International Development Limited") (note 2)	British Virgin Islands	Investment holding in Hong Kong	2 Ordinary shares of US\$1 each	100%
Hong Kong Macau Marketing Limited (note 3)	Macau	Provision of marketing and public relation services in Macau	MOP100,000	100%

Notes:

- (1) The Non-voting deferred shares practically carry no rights to dividends or to participate in any distribution in winding up. They carry no rights to receive notice of or to attend or vote at any general meeting.
- (2) The Group held 50% equity in Grand Macau International Development Limited ("GMID") as at 31 December 2003. During the year ended 31 December 2004, the Group acquired from the other shareholder (the "Partner") of GMID his 50% interest in GMID at a consideration of HK\$7.8 (the "Acquisition"). The profit of GMID during the year before the Acquisition was approximately HK\$14,258,000 which arose from the write back of a shareholder loan from the Partner. Accordingly, the Group's share of profit of GMID before the Acquisition for the year of approximately HK\$7,129,000 is included in share of associates' profits in the consolidated income statement.
- (3) This company was newly incorporated during the year.

The aggregate net assets of subsidiaries not audited by Grant Thornton amounted to approximately 6% of the Group's total assets.

Notes to the Financial Statements

15. INTEREST IN ASSOCIATES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	5,590	—
Goodwill	9,253	—
	14,843	—

The amount of goodwill above comprises:

	2004	2003
	HK\$'000	HK\$'000
Arising from acquisition of an associate during the year	9,410	—
Amortisation charge for the year since acquisition	(157)	—
At 31 December	9,253	—

Particulars of the associates at 31 December 2004 are as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued capital	Percentage of interest held by the Company
ISL Technologies Limited (note 1, 2)	British Virgin Islands	Investment holding in British Virgin Islands	25,600 Ordinary shares of US\$1 each	32.8%
Integrated Solutions Limited (note 1, 2)	Hong Kong	Software development, hardware trading and provision of maintenance services in Hong Kong	27,750 Ordinary shares of HK\$10 each	32.8%
Prime Glory Treasure Limited ("Prime Glory") (note 3)	British Virgin Islands	Investment holding in British Virgin Islands	43 ordinary shares of US\$1 each	43%

Notes:

- (1) The associate has a financial accounting period end of 31 March which is not coterminous with the Group.
- (2) The associate has incurred significant losses and the Group has taken up its share of the losses up to the carrying value of its investment in the associate as the Group has no obligation to share further losses of the associate exceeding the carrying amount of its investment in the associate. Accordingly, the Group's interest in the associate was stated at nil value at 31 December 2004.
- (3) On 14 September 2004, the Group entered into an agreement with a third party to acquire from the third party 43% of the issued share capital of Prime Glory at the consideration of HK\$15,000,000. The only asset of Prime Glory is a contribution to a gaming intermediary which is the sole agent for introducing customers to the operator of a casino in a cruiser (the "Operation") for an entitlement to share certain net profits generated from the Operation.

Notes to the Financial Statements

16. INVESTMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Listed equity securities in Hong Kong, at cost	469	6,810
Provision for impairment	(467)	(6,774)
	2	36
Interest in unincorporated syndicates, at cost (note 1)	35,045	11,645
Unlisted equity securities, at cost (note 2)	—	—
	35,047	11,681
Market value of listed equity securities	39	196

Notes :

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

- (i) the two syndicates market and organise trips for the purpose of introducing customers to participate in the gaming activities at the casino facilities and provide other related services as appropriate;
- (ii) the casino operator is responsible for providing the casino facilities and gaming activities and all associated costs; and
- (iii) the two syndicates are entitled to the operating profit or loss generated from the gaming activities at those casino facilities at an agreed rate.

In December 2004, China Sky Investments Limited ("China Sky"), the ultimate holding company, acquired 85% interest in each of the two unincorporated syndicates from the then syndicate partners of the Company. China Sky is beneficially interested in 52.2% issued share capital of the Company as at 31 December 2004.

- (2) The balance as at 31 December 2004 represents the cost of investment in Diamond (Subic) Entertainment Limited ("DSE") amounting to US\$1 (equivalent to HK\$7.8). DSE is a company incorporated in the British Virgin Islands. Pursuant to the agreement signed by the Group and DSE, the Group has made an advance to DSE during the year which amounted to HK\$4,000,000. The advance is unsecured, interest-free and not repayable within 12 months from the balance sheet date.

Notes to the Financial Statements

17. LOANS RECEIVABLE

	Group	
	2004 HK\$'000	2003 HK\$'000
In respect of personal and commercial loans		
– secured (note (a))	11,278	27,684
– unsecured	12,777	1,870
Gross loans receivable (note (b))	24,055	29,554
Provision for doubtful loans	(2,100)	(2,100)
	21,955	27,454
Less: amounts due within one year	(21,276)	(25,855)
Amounts due after one year	679	1,599

Notes:

- (a) The amount included a short term secured loan of HK\$10,357,000 (the "Loan") granted to an individual (the "Borrower") who is independent to the Group. According to a deed of loan dated 3 April 2003, the Loan has to be repaid in September 2003. In 2001, Century Legend Limited, the former ultimate holding company, issued a deed of guarantee in favour of the Group in respect of the Loan. Pursuant to the deed of guarantee, Century Legend Limited is responsible for repayment of the Loan if the Borrower defaults in repayment.
- (b) The repayment terms of the loans are negotiated on an individual basis. The maturity profile of the loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
On demand	22,039	16,994
Three months or less	254	9,073
Over three months but below one year	1,068	1,858
One to four years	694	1,629
	24,055	29,554

Notes to the Financial Statements

18. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Finished goods, at cost	145	—
Consumable stocks, at cost	301	314
	446	314

19. TRADING SECURITIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Listed equity securities in Hong Kong, at fair value	105	4,154

20. TRADE AND OTHER RECEIVABLES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Trade receivables (note)	8,892	7,023
Deposit for the acquisition of interest in certain business operations	—	20,000
Other receivables and deposits	3,531	3,327
	12,423	30,350

Note:

The majority of the Group's turnover is on cash basis. The remaining balance of the turnover is on credit terms ranging from 30 to 60 days. As at 31 December 2004, the ageing analysis of the trade receivables was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
0-30 days	7,653	4,834
31-60 days	488	425
61-90 days	123	285
Over 91 days	628	1,479
	8,892	7,023

Notes to the Financial Statements

21. TRADE PAYABLES

As at 31 December 2004, the ageing analysis of the trade payables was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
0-30 days	7,768	6,573
31-60 days	137	—
61-90 days	1	—
Over 91 days	34	—
	7,940	6,573

22. CONVERTIBLE NOTES

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

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

23. SHARE CAPITAL

	Ordinary shares of HK\$ 0.01 each	
	No of shares	HK\$'000
Authorised:		
At 31 December 2003 and 31 December 2004	40,000,000,000	400,000
Issued and fully paid:		
At 31 December 2003 and 31 December 2004	2,064,960,000	20,650

Notes to the Financial Statements

24. RESERVES

	Group			
	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2004	40,098	146,189	(141,156)	45,131
Profit for the year	–	–	2,520	2,520
At 31 December 2004	40,098	146,189	(138,636)	47,651
Company and subsidiaries	40,098	146,189	(135,629)	50,658
Associates	–	–	(3,007)	(3,007)
At 31 December 2004	40,098	146,189	(138,636)	47,651
At 1 January 2003	40,098	146,189	(135,727)	50,560
Loss for the year	–	–	(5,429)	(5,429)
At 31 December 2003	40,098	146,189	(141,156)	45,131
Company and subsidiaries	40,098	146,189	(130,719)	55,568
Associates	–	–	(10,437)	(10,437)
At 31 December 2003	40,098	146,189	(141,156)	45,131
	Company			
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2004	40,098	213,978	(132,482)	121,594
Loss for the year	–	–	(1,276)	(1,276)
At 31 December 2004	40,098	213,978	(133,758)	120,318
At 1 January 2003	40,098	213,978	(130,946)	123,130
Loss for the year	–	–	(1,536)	(1,536)
At 31 December 2003	40,098	213,978	(132,482)	121,594

Notes to the Financial Statements

24. RESERVES (continued)

Capital reserve of the Group represents:

- (i) the difference between the nominal value of share capital issued by the Company and the nominal value of the share capital and the share premium accounts of those companies forming the Group pursuant to the group reorganisation in 1993; and
- (ii) the reduction in issued share capital arising from the cancelling of paid up capital to the extent of HK\$0.09 on each share of HK\$0.1 in issue in 2001.

Contributed surplus of the Company represents:

- (i) the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company at the time of the group reorganisation referred to above; and
- (ii) the reduction in issued share capital arising from the cancelling of paid up capital to the extent of HK\$0.09 on each share of HK\$0.1 in issue in 2001.

Under the Bermuda Companies Act, the contributed surplus is distributable to shareholders under certain conditions.

Notes to the Financial Statements

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

	2004 HK\$'000	2003 HK\$'000
Net assets/(liabilities) disposed of		
Property, plant and equipment	832	–
Trade, other payables and accruals	(2)	(23)
	830	(23)
Gain on disposal	20	9,638
Consideration	850	9,615
Satisfied by		
Cash	850	9,615
Net cash inflow	850	9,615

The subsidiary disposed of during the year had no significant impact to the cash flows of the Group during the year or in prior year.

(b) Major non-cash transaction

As at 31 December 2003, an amount of HK\$32,000,000 was received in respect of the issue of convertible notes and included under “Other payables and accruals”. The issue of the convertible notes was completed on 15 January 2004 and the Group had received the remaining amount of principal of HK\$13,000,000 subsequent to year end.

Notes to the Financial Statements

26. OPERATING LEASE COMMITMENTS

At 31 December 2004, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases were payable by the Group as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	6,238	2,642
In the second to the fifth year	7,580	2,747
	13,818	5,389

The Company had no operating lease commitment as at 31 December 2004 (2003: Nil).

27. SUBSEQUENT EVENTS

The following events occurred subsequent to the balance sheet date:

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

After obtaining the gaming intermediaries licence and when the conditions set forth in the agreement are being fulfilled, the Group and China Sky are obliged to make loan or loans in the sum or in the aggregate sum of not exceeding HK\$99,900,000 to each of the Two Companies in proportion to the Group's and China Sky's shareholdings in the Two Companies. On this basis, the Group shall make loan or loans in the sum or in the aggregate sum of not exceeding HK\$14,985,000 to each of the Two Companies.

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

27. SUBSEQUENT EVENTS (continued)

- (iii) On 9 April 2005, a company (the “JV”) which is 50% owned by the Group and 50% beneficially owned by China Sky entered into a legally binding memorandum of terms (the “MOT”) with an independent third party (the “Vendor”) and under the MOT, the JV and the Vendor shall enter into an option agreement (the “Option Agreement”) whereby the JV will be granted a call option (the “Call Option”) to acquire 100% equity interest in an investment holding company which beneficially holds a hotel (“Target”) and the right to manage the hotel business of the Target (“Hotel Management Right”).

Under the terms of the MOT, upon exercise of the Call Option by the JV, the Vendor is required to sell all its beneficiary interest in the Target at a consideration of HK\$540,000,000 plus an amount calculated according to a formula as stipulated in the MOT. Upon completion of the Option Agreement, the JV shall pay to the Vendor a sum of HK\$4,000,000. Thereafter, the JV shall pay a monthly sum of HK\$5,400,000 in arrears commencing from the date of the MOT until expiry of the Call Option or completion or revocation or surrender, as appropriate, of the Call Option. Unless otherwise revoked or surrendered, the Call Option will be valid for a period of one year from the date of the MOT.

Subject to completion of the Option Agreement, in respect of Hotel Management Right, during the option period, the JV shall be allowed to manage the hotel business of the Target and in return, the JV shall be entitled to receipts and liable for payments arising from the management of the hotel business. The arrangement to manage the hotel business by the JV shall be terminated automatically upon expiry or completion of the Call Option.

The MOT and the Option Agreement are subject to a number of conditions including the result of the due diligence on the Target is to the satisfaction of the relevant party and the approval from the independent shareholders of the Company can be obtained. If any of the above conditions is not satisfied, a subsidiary of China Sky shall assume all the rights and obligations of the JV.

28. COMPARATIVE FIGURES

The comparative figures of certain income statement and cash flow statement items and of the segment information have been reclassified to conform with the current year’s presentation and to comply with the requirements under Statement of Standard Accounting Practice 26 “Segment reporting” in the current year respectively.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 24 to 61 were approved by the Board of Directors on 16 April 2005.

Financial Summary

RESULTS

	For the year ended 31 December				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	3,362	21,330	57,156	60,157	108,591
Profit/(Loss) attributable to shareholders	(8,234)	(24,511)	(20,762)	(5,429)	2,520

ASSETS AND LIABILITIES

	As at 31 December				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Total assets	59,245	229,630	86,506	122,348	140,737
Total liabilities including minority interests	(2,439)	(142,549)	(15,296)	(56,567)	(72,436)
Shareholders' funds	56,806	87,081	71,210	65,781	68,301