



CENTURY LEGEND (HOLDINGS) LIMITED  
世紀建業(集團)有限公司\*

(Stock Code: 79)



## Interim Report 2007



## SECTION A: CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Tsang Chiu Mo Samuel  
*(Executive Chairman)*  
Mr. Tsang Chiu Ching *(Deputy Chairman)*  
Ms. Chu Ming Tak Evans Tania  
Mr. Wu Binqun  
Ms. Tsang Chiu Yuen Sylvia *(alternate  
Director to Mr. Tsang Chiu Mo Samuel)*

#### *Independent Non-executive Directors*

Mr. Tang Man Ching  
Mr. Hui Yan Kit  
Mr. Wong Tak Ming Gary

### AUDIT COMMITTEE

Mr. Wong Tak Ming Gary *(Chairman)*  
Mr. Hui Yan Kit  
Mr. Tang Man Ching

### REMUNERATION COMMITTEE

Mr. Hui Yan Kit *(Chairman)*  
Mr. Tang Man Ching  
Mr. Wong Tak Ming Gary

### NOMINATION COMMITTEE

Mr. Tang Man Ching *(Chairman)*  
Mr. Wong Tak Ming Gary  
Mr. Hui Yan Kit

### COMPANY SECRETARY

Ms. Sze Tak On

### LEGAL ADVISERS

Chiu, Szeto & Cheng Solicitors  
Tso Au Yim & Yeung Solicitors

### AUDITORS

Grant Thornton  
Certified Public Accountants

### BANKERS

The Bank of East Asia, Limited  
Chong Hing Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### SHARE REGISTRARS

*Principal Share Registrars*  
Butterfield Corporate Services Limited  
Rosebank Centre  
14 Bermudiana Road, Pembroke  
Bermuda

#### *Hong Kong Branch Share Registrars and Transfer Office*

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

### REGISTERED OFFICE

Clarendon House, 2 Church Street  
Hamilton, HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3403-04, 34th Floor  
West Tower, Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### COMPANY WEBSITE

<http://www.clh.com.hk>

### STOCK CODE

0079



## SECTION B: INTERIM RESULTS

The board of directors (the “Board”) of Century Legend (Holdings) Limited (the “Company”) is hereby to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007. The unaudited consolidated results have been reviewed by the Audit Committee of the Company.

### I. CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2007*

		<b>Six months ended 30 June</b>	
		<b>2007</b>	2006
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Revenue and turnover	3	<b>49,517</b>	250,650
Cost of sales		<b>(43,762)</b>	(242,096)
Gross profit		<b>5,755</b>	8,554
Other income		<b>1,816</b>	4,021
Profit on disposal of available-for-sale financial assets		<b>4,218</b>	–
Administrative expenses		<b>(13,301)</b>	(14,341)
Operating loss	4	<b>(1,512)</b>	(1,766)
Share of profit of an associate		<b>6,897</b>	10,263
Profit before income tax		<b>5,385</b>	8,497
Income tax expense	5	–	–
Profit for the period		<b>5,385</b>	8,497
Attributable to:			
Equity holders of the Company		<b>5,385</b>	8,497
Minority interests		–	–
		<b>5,385</b>	8,497
Earnings per share attributable to the equity holders of the Company (2006: restated)	7		
– Basic		<b>HK 2.71 cents</b>	HK 6.4 cents
– Diluted		<b>N/A</b>	N/A

The notes on pages 6 to 12 form part of this interim financial report.



## II. CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,715	2,661
Interest in associates		76,630	69,734
Available-for-sale financial assets	9	47	29,026
Loans receivable	10	310	365
		<u>78,702</u>	<u>101,786</u>
<b>CURRENT ASSETS</b>			
Inventories		8,631	2,862
Financial assets at fair value through profit or loss/ Trading securities		118	129
Trade and other receivables	11	15,143	12,553
Loans receivable, current portion	10	10,258	10,288
Amount due from an associate		24,759	5
Amount due from related companies/a related company		1,817	3,676
Amount due from an investee company		-	875
Cash and cash equivalents	12	43,367	46,161
		<u>104,093</u>	<u>76,549</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	5,280	4,795
Other payables and accruals		3,800	5,002
Amounts due to investee companies		-	229
		<u>9,080</u>	<u>10,026</u>
<b>NET CURRENT ASSETS</b>			
		<u>95,013</u>	<u>66,523</u>
		<u>173,715</u>	<u>168,309</u>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital	14	39,690	39,690
Reserves		134,025	128,619
Total equity		<u>173,715</u>	<u>168,309</u>

The notes on pages 6 to 12 form part of this interim financial report.



### III. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2007 (Unaudited)*

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2007	39,690	135,071	146,189	(13)	(152,628)	168,309
Profit for the period	-	-	-	-	5,385	5,385
Increase in fair value of available-for-sale financial assets for the period	-	-	-	21	-	21
At 30 June 2007	<u>39,690</u>	<u>135,071</u>	<u>146,189</u>	<u>8</u>	<u>(147,243)</u>	<u>173,715</u>

*For the six months ended 30 June 2006 (Unaudited)*

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	26,460	123,656	146,189	(12)	(151,778)	144,515
Profit for the period	-	-	-	-	8,497	8,497
Increase in fair value of available-for-sale financial assets for the period	-	-	-	7	-	7
At 30 June 2006	<u>26,460</u>	<u>123,656</u>	<u>146,189</u>	<u>(5)</u>	<u>(143,281)</u>	<u>153,019</u>

The notes on pages 6 to 12 form part of this interim financial report.

#### IV. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash outflow from operating activities	(40,917)	(6,834)
Net cash inflow/(outflow) from investing activities	38,123	(67)
Net cash inflow from financing activities	—	—
(Decrease) in cash and cash equivalents	(2,794)	(6,901)
Cash and cash equivalents at 1 January	46,161	27,927
Cash and cash equivalents at 30 June	43,367	21,026
Analysis of balance of cash and cash equivalents:		
Bank balances and cash	43,367	21,026

The notes on pages 6 to 12 form part of this interim financial report.



## V. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The interim financial report of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2007 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKSA 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

### 2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007. Management has considered and concluded that there is either no significant financial impact or relevance to the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosure
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The Adoption of these new HKFRSs had no material effect on the results of operations and financial position of the Group for the current or prior accounting periods.

The Group has not adopted early or applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Directors are currently assessing the impact on the Group operation.

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasure Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements



### 3. Segment Information

The Group is principally engaged in gaming and leisure related business, provision of health and beauty services, money lending business, provision of stock broking service and trading business. An analysis of the Group's revenues and results for the period by principal activities is as follows:

Six months ended 30 June 2007 (Unaudited)						
	Gaming and leisure related business HK\$'000	Health and beauty services HK\$'000	Money lending HK\$'000	Stock broking HK\$'000	Trading HK\$'000	Group HK\$'000
Revenue and turnover	39,295	8,966	138	1,095	23	49,517
Segment results (profit/(loss))	3,706	(1,068)	(82)	355	2	2,913
Unallocated revenues/ income						1,105
Unallocated costs						(5,530)
Share of profit of an associate						6,897
Profit attributable to shareholders						5,385

Six months ended 30 June 2006 (Unaudited)						
	Gaming and leisure related business HK\$'000	Health and beauty services HK\$'000	Money lending HK\$'000	Stock broking HK\$'000	Trading HK\$'000	Group HK\$'000
Revenue and turnover	238,300	11,024	563	674	89	250,650
Segment results (profit/(loss))	3,284	(1,533)	341	196	(2)	2,286
Unallocated revenues/ income						468
Unallocated costs						(4,520)
Share of profit of an associate						10,263
Profit attributable to shareholders						8,497

No geographical analysis is presented as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group were attributable to markets outside Hong Kong.





#### 4. Operating Loss

Operating loss is stated after crediting/charging the following:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>After crediting</b>		
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	-	57
<b>After charging</b>		
Depreciation	952	966
Operating leases – land and buildings	3,282	3,382
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	11	-

#### 5. Income Tax Expense

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit for the six months ended 30 June 2007 and 2006.

The Group has available tax losses as at 31 December 2006 for offsetting against future profits. No deferred tax assets have been recognised as the directors consider that it is uncertain that they will crystallize in the foreseeable future.

#### 6. Dividends

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

#### 7. Earnings per share attributable to the equity holders of the Company

The calculation of basic earnings per share attributable to the equity holders of the Company for the period is based on the profit attributable to shareholders of HK\$5,385,000 (six months ended 30 June 2006: HK\$8,497,000) and the weighted average of 198,446,398 (six months ended 30 June 2006: 132,297,599 as restated) shares in issue during the six-month period, as adjusted to reflect the rights issue and consolidation of shares as if the event had occurred at the beginning of the earlier period reported.

Diluted earnings per share amounts for the six months ended 30 June 2007 and 2006 have not been presented as no diluting events existed during these periods.

#### 8. Property, Plant and Equipment

##### (a) Acquisitions of plant and equipment

During the six months ended 30 June 2007, the Group acquired items of plant and machinery with a cost of HK\$6,000 (six months ended 30 June 2006: HK\$67,000).



(b) *Write-off of plant and equipment*

There is no property, plant and equipment being written off during the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

9. Available-For-Sale Financial Assets

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Available-for sale financial assets:		
Listed equity securities in Hong Kong, at fair value	47	26
Unlisted equity securities, at cost	—	34,000
	<u>47</u>	<u>34,026</u>
Less: Impairment losses	—	(5,000)
	<u>47</u>	<u>29,026</u>

10. Loans Receivable

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Loans receivable – secured	516	728
Loans receivable – unsecured	11,752	11,625
	<u>12,268</u>	<u>12,353</u>
Gross loans receivable	12,268	12,353
Less: Impairment losses	(1,700)	(1,700)
	<u>10,568</u>	<u>10,653</u>
Net carrying amount	10,568	10,653
Less: amounts due within one year	(10,258)	(10,288)
	<u>310</u>	<u>365</u>

Note:

The repayment terms of loans receivable are negotiated on an individual basis. The maturity profile of loans receivables, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
On demand	1,728	11,850
Three months or less	10,055	43
Below one year but over three months	176	95
One to four years	309	365
	<u>12,268</u>	<u>12,353</u>



## 11. Trade and Other Receivables

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Trade receivables (Note)	9,875	9,465
Other receivables and deposit	5,268	3,088
	<u>15,143</u>	<u>12,553</u>

Note:

The majority of the Group's turnover is on cash basis. The remaining balances of turnover are on credit terms of thirty-sixty days. At 30 June 2007, the ageing analysis of the trade receivables was as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0-30 days	9,223	8,950
31-60 days	9	60
61-90 days	43	119
Over 90 days	600	336
	<u>9,875</u>	<u>9,465</u>

## 12. Cash and Cash Equivalents

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Cash at bank and in hand	32,458	14,587
Short-term bank deposits	10,909	31,574
	<u>43,367</u>	<u>46,161</u>

## 13. Trade Payables

As at 30 June 2007, the ageing of the trade payables was as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0-30 days	5,217	4,652
31-60 days	63	136
61-90 days	-	7
	<u>5,280</u>	<u>4,795</u>



#### 14. Share Capital

	Number of shares of HK\$0.2 each 2007 '000	Number of shares of HK\$0.01 each 2006 '000	Share capital 2007 HK\$'000	2006 HK\$'000
<b>Authorised:</b>				
Ordinary shares at 1 January and 30 June	<u>2,000,000</u>	<u>40,000,000</u>	<u>400,000</u>	<u>400,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares at 1 January and 30 June	<u>198,447</u>	<u>2,646,000</u>	<u>39,690</u>	<u>26,460</u>

#### 15. Operating Lease Commitments

At 30 June 2007, the total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which expired as follows:

	Land and buildings		Motor vehicles	
	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Not later than one year	<u>3,839</u>	<u>3,575</u>	<u>250</u>	<u>103</u>
Later than one year and not later than five years	<u>4,725</u>	<u>2,748</u>	<u>-</u>	<u>-</u>
	<u>8,564</u>	<u>6,323</u>	<u>250</u>	<u>103</u>

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

At 30 June 2007, the total future minimum sublease payments expected to be received under non-cancellable sublease amounted to HK\$1,128,000 (31 December 2006: HK\$564,000).

#### 16. Related Party Transactions

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

##### (a) Purchase of goods

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Purchase of entertainment packages from Longnex Limited ("Longnex"), an associate of the Group	<u>37,000</u>	<u>508,600</u>



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

(b) *Provision of management services*

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Management fee income from Longnex	<u>300</u>	<u>1,660</u>

Management fee charged to Longnex was mutually agreed between the Group and Longnex.

(c) *Compensation of key management personnel*

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

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Short term employee benefits	<b>2,493</b>	2,981
Post-employment benefits	<u>67</u>	<u>120</u>
	<u><b>2,560</b></u>	<u>3,101</u>

17. **Disposal of Available-for-sale Financial Assets**

Two gaming intermediary companies, in which the Group had 15% equity interest, were dissolved on 30 April 2007. The gain on dissolution is around HK\$4.2 million which had been recognised in the income statement for the period ended 30 June 2007.

On 15 May 2007, the Group entered into an agreement with an independent third party to dispose of its 11% interest in Diamond (Subic) Entertainment Limited at a cash consideration of HK\$7.8, resulting in no gain or loss on disposal.

18. **Subsequent Event**

On 3 September 2007, the Group completed rights issue of 99,223,199 rights share at HK\$0.35 each on the basis of one rights share for every two existing shares held. Total funds raised after expenses was approximately HK\$32 million.



## SECTION C: BUSINESS REVIEW AND PROSPECTS

### I. Overall Performance

In the first half of 2007, global economy growth was on the right track regardless of the increasing inflationary pressure. China has been growing at an astounding speed even though the Mainland Government has been using strict measures to slow down the heated economy. Meanwhile, Macau's gross gaming revenues soared up 45% to a record high of MOP\$44.9 billion and such figure has already exceeded the whole-year revenue of 2004.

For the six months ended 30 June 2007, the Group recorded a turnover of approximately HK\$49.5 million, representing an 80.2% drop over the same period of last year. Gross profit decreased by 32.7% to approximately HK\$5.8 million. Loss from operation was narrowed down by 14.4% to HK\$1.5 million, demonstrating the Group's continuous effort in improving her operation efficiency. Profit attributable to shareholders fell 36.6% to approximately HK\$5.4 million.

Longnex Limited ("Longnex"), the Group's major associated company, being the beneficial owner of Holiday Inn Macau ("HIM") and Macau Diamond Casino ("MDC"), remains the largest contributor to the profit attributable to the Group's shareholders. HIM, an internationally recognized four-star hotel with various amenities, has been well received by business travellers. In addition, MDC, located inside HIM, continued to bring substantial synergy effect to the Group's gaming and leisure related business since its commencement of operation. According to independent market surveys, clientele of HIM and MDC has not affected or overlapped with other newly opened hotels or casinos due to its prime location and convenient traffic network, as well as the characteristic of her clientele, who are recurrent customers looking for cozy atmosphere. Therefore, the organic drop in the business, caused by the opening of the new hotels and casinos, was much less than expected.

### II. Gaming and Leisure Related Business

For the period under review, the Group's core business segment, gaming and leisure related business, recorded a turnover of HK\$39.3 million, representing an 83.5% decrease when compared with the corresponding period in 2006. Despite the fall back in turnover, the segment profit rose by 12.9% to HK\$3.7 million. This was attributable to a non-recurrent gain on dissolution of two gaming intermediary companies of approximately HK\$4.2 million. Otherwise, there was a loss of approximately HK\$0.5 million in the segment.



The opening of several new casinos during the year posed further challenges to the competitive operating environment of gaming intermediary business and the profitability of the sector declined. The Group thus dissolved her two gaming intermediary companies in April 2007. In addition, the Group also disposed her minor investment in Subic Diamond Casino at Subic Bay Freeport Zone, Philippines in May 2007. All of these disposals aimed to consolidate the resources in her investments in Macau's gaming and leisure related business.

Even with a highly challenging environment in Macau, HIM and MDC still maintain steady performances. Prime location of the hotel and the casino, effective marketing strategies as well as outstanding customer services are the key factors for the success. Besides promoting MDC through traditional channels like outdoor advertisements and direct marketing, the management adjusted her marketing strategy by starting to make use of Customer Relations Management system (CRM). The business was thus more people-based and as a result, more service-oriented to cater the aspirations of the customers.

Furthermore, Longnex and Intercontinental Hotel Group, the management company of HIM, agrees to renovate all the hotel rooms in order to maintain its competitiveness in the market. It is expected that such renovation will provide a basis to raise the room rate and become the revenue driver for future hotel income growth. Renovation cost associated will be supported by the internal resources of the hotel.

### **III. Health and Beauty Business**

For the period under review, the turnover for Health and Beauty Services division was approximately HK\$9.0 million, merely 18.7% lower than a year ago. Segment loss was narrowed down by 30.3% to approximately HK\$1.1 million. If the loss contribution of Spa D'or to last year's result was excluded, the segment turnover for the review period has only dropped 9.6% while the loss was up by 27.8%. Spa D'or was disposed in August 2006 and the Group currently only maintains the operation of the Headquarters hair salon.

### **IV. Other Business Segments**

The Group has been benefited from the buoyant domestic and Chinese economies and capitalized on the strong retail-driven activity in the first half of 2007. The Group's stock broking business thus achieved improved income from brokerage commissions and recorded a significant increase in the turnover, surging 62.5% to approximately HK\$1.1 million. Segment profit soared 81.1% to approximately HK\$0.4 million.



Contribution from the Group's money lending segment further decreased by 75.5 percent to approximately HK\$0.14 million and trading business also dropped significantly to HK0.02 million due to the streamline strategy adopted by the Group since 2004. There is a net loss of approximately HK\$0.08 million as compared with a profit of HK\$0.3 million from the money-lending segment while the trading segment recorded a slight profit during the period under review, as compared to a loss for the corresponding period in 2006.

## V. Prospects

Macau continues to experience the fastest growing rates in gaming revenues and tourist arrivals. The opening of The Venetian Macao, Asia's largest integrated resort, marked a new era for Macau's gaming business. With one of the biggest shopping malls in Asia and the world's largest casino, The Venetian Macao boosted the fortunes of hotel-casino resorts on the Macau peninsula. Moreover, visitor arrivals, from January to July this year, continued to rocket to 14,848,331 people. It seems that Macau is on track to catch up with Hong Kong for visitor arrivals in the near future.

Macau, instead of just replicating Las Vegas, creates its uniqueness and attractiveness for travellers. The combination of the completely different cultures of Macau and Mainland China not only appeals to Asian people's taste but also offers an exciting experience to international business and leisure travellers.

Looking ahead, the Group plans to increase its investment in HIM and MDC. However, the Group is still sourcing for reasonable funding offer from various financial institutions, which has been becoming more conservative on lending due to the negative effects of the US subprime mortgage crisis around the world. The Group will proactively and prudentially look for low cost financing in order to maximize its shareholders' value.

## SECTION D: FINANCIAL REVIEW

### I. Liquidity and Financial Resources

As at 30 June 2007, the Group had a cash and bank balance of HK\$43.4 million and net current assets of HK\$95.0 million. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 30 June 2007 was approximately 11.5 (31 December 2006: 7.6). The Group maintained a strong working capital position during the reviewing period.

The gearing ratio (calculated as the total long term loan to the total shareholders' equity of the Group as at 30 June 2007 was zero (31 December 2006: zero).





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

During the period under review, the Group had no assets pledged. Neither the Company nor the Group had any significant contingent liabilities as at 30 June 2007 (31 December 2006: Nil). The Group had no significant capital commitments as at 30 June 2007 (31 December 2006: Nil).

As disclosed in note 17 of the financial statements, two gaming intermediary companies, in which the Group had 15% equity interest, were dissolved on 30 April 2007. The gain on dissolution is around HK\$4.2 million which had been recognised in the income statement for the period ended 30 June 2007.

On 15 May 2007, the Group entered into an agreement with an independent third party to dispose of its 11% interest in Diamond (Subic) Entertainment Limited at a cash consideration of HK\$7.8, resulting in no gain or loss on disposal.



## II. Capital Structure of the Group

During the period under review, there was no change in capital structure of the Group. As disclosed in note 18 of the financial statements, on 3 September 2007, the Group completed rights issue of 99,223,199 rights share at HK\$0.35 each on the basis of one rights share for every two existing shares held. Total funds raised after expenses was approximately HK\$32 million.

## III. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

# SECTION E: EMPLOYEE AND REMUNERATION POLICY

For the period ended, a total of 68 (30 June 2006: 96) staff was employed with staff costs excluding directors' emoluments amounted to HK\$4.0 million (30 June 2006: HK\$5.7 million).

The employee remuneration packages including provident fund and medical benefits currently offered are competitive to the market. Employee remuneration is reviewed and determined by management annually based on both employees' individual and Group's overall performance.

## SECTION F: CORPORATE GOVERNANCE

### I. Directors' and Chief Executives' Interests and Short Positions in the Shares, underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2007, 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 interest	Name of company in which shares/ securities are held	Number of shares/ securities held	Approximate percentage of total shareholding
Mr. Tsang Chiu Ching	Beneficial interest	The Company	499,500	0.2%
	Interest of controlled corporate	The Company	185,234,864 <i>(Note 1)</i>	62.2%
	Interest of controlled corporate	Investgiant Limited	2 shares <i>(Note 2)</i>	100%
	Interest of controlled corporate	Fastpro Investments Limited	1 share <i>(Note 2)</i>	50%
	Interest of controlled corporate	Longnex Limited	5,000,000 shares <i>(Note 2)</i>	100%
Mr. Tsang Chiu Mo Samuel	Interest of controlled corporate	The Company	185,234,864 <i>(Note 1)</i>	62.2%
	Interest of controlled corporate	Investgiant Limited	2 shares <i>(Note 2)</i>	100%
	Interest of controlled corporate	Fastpro Investments Limited	1 share <i>(Note 2)</i>	50%
	Interest of controlled corporate	Longnex Limited	5,000,000 shares <i>(Note 2)</i>	100%



Name of Director	Nature of interest	Name of company in which shares/ securities are held	Number of shares/ securities held	Approximate percentage of total shareholding
Ms. Tsang Chiu Yuen Sylvia	Interest of controlled corporate	The Company	185,234,864 (Note 1)	62.2%
	Interest of controlled corporate	Investgiant Limited	2 shares (Note 2)	100%
	Interest of controlled corporate	Fastpro Investments Limited	1 share (Note 2)	50%
	Interest of controlled corporate	Longnex Limited	5,000,000 shares (Note 2)	100%

*Note 1:* 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.

*Note 2:* The entire issued share capital of Longnex Limited is held by Fastpro Investments Limited. 50% of the issued share capital of Fastpro Investments Limited is held by Investgiant Limited, which in turn is held as to 50% by HKM Hotels Limited (a wholly-owned subsidiary of the Company) and as to 50% by Century Legend Properties Limited. The entire issued share capital of Century Legend Properties Limited is held by ST Investments Holding Limited ("ST Investments"). ST Investments is indirectly beneficially owned as to one-third by each of Mr. Tsang Chiu Ching, Mr. Tsang Chiu Mo Samuel and Ms. Tsang Chiu Yuen Sylvia.

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 of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under 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.



## II. 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 30 June 2007, 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 disclosed above in respect of the Directors and Chief Executives.

### Long position in shares

Name of shareholder	Nature	Number of shares held	Approximate Percentage of total shareholding
Barsmark Investments Limited	Beneficial interest	185,234,864	62.2%
ST Investments Holding Limited (Note 1)	Interest of controlled company	185,234,864	62.2%
Conba Investments Ltd. (Note 1)	Interest of controlled company	185,234,864	62.2%
Ssky Investments Limited (Note 1)	Interest of controlled company	185,234,864	62.2%
Fortune Ocean Limited (Note 1)	Interest of controlled company	185,234,864	62.2%
Szeto Investments Holdings (Amusement) Limited (Note 2)	Beneficial interest	19,687,500	9.9%
Szeto Investments Holdings Ltd. (Note 2)	Interest of controlled company	19,687,500	9.9%
Szeto International Holdings Ltd. (Note 2)	Interest of controlled company	19,687,500	9.9%
Ms. Szeto Yuk Lin (Note 2)	Interest of controlled company	19,687,500	9.9%

*Note 1:* Barsmark Investments Limited is wholly and beneficially owned by ST Investments Holding 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) Ssky Investments Limited (a company wholly and beneficially owned by Ms. Tsang Chiu Yuen Sylvia, the sister of Mr. Tsang Chiu Mo Samuel and Mr. Tsang Chiu Ching); and (iii) Fortune Ocean Limited (a company wholly and beneficially owned by Mr. Tsang Chiu Ching).

*Note 2:* Szeto Investments Holdings (Amusement) Limited is wholly and beneficially owned by Szeto Investments Holdings Ltd., the issued share capital of which is wholly-owned by Szeto International Holdings Ltd. Ms. Szeto Yuk Lin is wholly and beneficially interested in the entire issued share capital of Szeto International Holdings Ltd.. Ms. Szeto Yuk Lin is the mother of Mr. Tsang Chiu Mo Samuel, Mr. Tsang Chiu Ching and Ms. Tsang Chiu Yuen Sylvia.

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



### III. Purchase, Sales or Redemption of Listed Securities

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

### IV. 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 six months ended 30 June 2007, in compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, save for the deviations set out below.

#### *Code A.2.1*

As at 30 June 2007, Mr. Tsang Chiu Mo Samuel is the Executive Chairman of the Company and no Chief Executive Officer has been appointed. The responsibilities of Chief Executive Officer have been carried out by Mr. Tsang Chiu Mo Samuel. The Board believes that it is in the best interest of the Company and the shareholders as a whole for Mr. Tsang Chiu Mo Samuel, who is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board in an effective manner, to continue to carry out the responsibilities of Chief Executive Officer, which ensures on the effectiveness and efficiency of the decision making process of the Board.

### V. Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 30 June 2007 with the directors.

### VI. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2007.

By Order of the Board

**CHU MING TAK EVANS TANIA**

*Executive Director*

Hong Kong, 25 September 2007

