



Long Success International (Holdings) Limited

百齡國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8017)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Long Success International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

SUMMARY

- Turnover of the Group for the year ended 31 March 2007 from the continuing operations and discontinued operation was approximately HK\$35,432,000 (2006: HK\$47,498,000) representing a decrease of 25% when compared to 2006 figures,
- Loss attributable to shareholders for the year ended 31 March 2007 was approximately HK\$5,992,000 corresponding to a loss per share of approximately HK\$0.0225 as compared to profit attributable to shareholders and an earning per share of approximately HK\$2,849,000 and HK\$0.0113 respectively reported in the previous year.
- The Directors do not declare any dividend for the year ended 31 March 2007.

ANNUAL RESULTS

The audited consolidated results of the Long Success International (Holdings) Limited and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2007 together with the comparatives for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
CONTINUING OPERATIONS			
Revenue	4	23,735	24,720
Other income	4	1,127	330
Raw materials and consumables used		(3,240)	(8,040)
Staff costs		(13,724)	(13,407)
Depreciation on property, plant and equipment		(211)	(276)
Amortisation and impairment loss on intangible assets		–	(578)
Impairment loss on available-for-sale financial assets		–	(330)
Impairment loss on trade receivable		(945)	(884)
Other expenses		(5,462)	(4,447)
Finance costs	5	(21)	(347)
Profit/(Loss) before tax		1,259	(3,259)
Income tax expense	6	–	–
Profit/(Loss) for the year from continuing operations		1,259	(3,259)
DISCONTINUED OPERATION			
(Loss)/Profit for the year from discontinued operation	7	(5,521)	6,108
(Loss)/Profit for the year	8	(4,262)	2,849
Attributable to:			
Equity holders of the parent		(5,992)	2,849
Minority interests		1,730	–
		(4,262)	2,849
(LOSS)/EARNINGS PER SHARE			
For continuing and discontinued operations	10		
Basic (HK cents per share)		(2.25)	1.13
Diluted (HK cents per share)		N/A	N/A
For continuing operations			
Basic (HK cents per share)		(0.18)	(1.30)
Diluted (HK cents per share)		N/A	N/A

BALANCE SHEETS
AS AT 31 MARCH 2007

		Group		Company	
		2007	2006	2007	2006
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Intangible assets		–	–	–	–
Goodwill		63,376	–	–	–
Property, plant and equipment		424	410	–	–
Interests in subsidiaries		–	–	61,255	12,577
Available-for-sale financial assets		–	–	–	–
		63,800	410	61,255	12,577
Current assets					
Trade receivables	11	8,523	7,796	–	–
Prepayments, deposits and other receivables		712	1,431	–	–
Fixed deposits		–	1,300	–	–
Cash and bank balances		1,277	5,585	–	75
		10,512	16,112	–	75
Current liabilities					
Trade payables	12	868	2,425	–	–
Accruals and other payables		4,294	4,039	2,155	843
Deferred consideration for acquisition		21,577	–	21,577	–
Receipts in advance		2,230	2,083	–	–
Current portion of bank loans		–	229	–	–
Current portion of obligations under finance leases		144	108	–	–
Amount due to ultimate holding company		1,407	1,313	265	265
Provision for taxation		833	833	–	–
		31,353	11,030	23,997	1,108
Net current (liabilities)/assets		(20,841)	5,082	(23,997)	(1,033)
Total assets less current liabilities		42,959	5,492	37,258	11,544

	<i>Note</i>	Group		Company	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities					
Deferred consideration for acquisition		13,300	–	13,300	–
Obligations under finance leases		–	54	–	–
		13,300	54	13,300	–
NET ASSETS		29,659	5,438	23,958	11,544
Capital and reserves					
Share capital		30,303	25,303	30,303	25,303
Reserves		(2,374)	(19,865)	(6,345)	(13,759)
Equity attributable to equity holders of the parent		27,929	5,438	23,958	11,544
Minority interests		1,730	–	–	–
TOTAL EQUITY		29,659	5,438	23,958	11,544

Notes:

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the GEM of the Exchange. The address of its registered office and principal place of business are respectively Canon's Court, 22 Victoria Street Hamilton HM 12, Bermuda and Room 1309, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. During the year, its subsidiaries were principally engaged in sales of computer software and hardware, provision of related technical support and maintenance services, provision of marketing services and sharing of profits relating to gaming activities in Macau.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), generally accepted accounting principles in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

These financial statements have been prepared under the historical cost convention except for available-for-sale financial assets which are measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise stated.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. As at 31 March 2007, the Group had net current liabilities of approximately \$20,841,000 and incurred a loss attributable to the equity holders of the parent of approximately HK\$5,992,000 for the year ended 31 March 2007. These conditions indicate that the Group may need additional financing to meet cash requirements for its operations to continue as a going concern.

Subsequent to the balance sheet date, the Company proposed to raise approximately HK\$36 million net of estimated expenses by way of rights issue of one rights share for every existing share at a subscription price of HK\$0.13 per rights share. The proposed rights issue is fully underwritten by Sun Hung Kai International Limited pursuant to the terms and conditions of the underwriting agreement dated 23 May 2007. The Directors of the Company are of the opinion that actions presently being taken to obtain additional funding will enable the Group to have sufficient working capital for its current requirement. The Directors further believe that the current loss-making situation is temporary and the Group will turn around in the near future. Therefore, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the recorded amounts of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these potential adjustments have not been reflected in these financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries made up to 31 March. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All significant intercompany transactions and balances and any unrealised profits arising from intercompany transactions within the Group are eliminated on consolidation.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted a number of new HKFRSs, amendments to Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

The Directors of the Company anticipate that the application of the above new HKFRSs will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the Group's turnover and comprised:

	2007 HK\$'000	2006 HK\$'000
REVENUE		
Continuing operations		
Sales of customised software and related computer equipment	14,919	17,828
Sales and lease of packaged software	–	977
Technical support and maintenance service income	3,051	5,915
Profits assigned from a junket representative of a VIP lounge of a casino in Macau	5,765	–
	<u>23,735</u>	<u>24,720</u>
Discontinued operation		
Income from marketing, rolling and settlement services for a VIP lounge of a casino in Macau (<i>Note 7</i>)	11,697	22,778
	<u>35,432</u>	<u>47,498</u>
OTHER INCOME – continuing operations		
Interest income	16	153
Sundry income	99	115
Write-back of provision for impairment of trade receivable	945	–
Government grant	–	30
Other service income	67	32
	<u>1,127</u>	<u>330</u>

Primary reporting format – business segments

The Group is organised into the following major business segments:

- (i) Sales of customised software and related computer equipment;
- (ii) Provision of technical support and maintenance services;
- (iii) Marketing, rolling and settlement services for gaming activities in Macau; and
- (iv) Sharing of profits of a junket representative of a VIP lounge of a casino in Macau.

During the year, the segment for the sales and lease of packaged software was inactive and did not generate any revenue or income.

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

2007

	Continuing operations				Discontinued operation	
	Customised software and related computer equipment <i>HK\$'000</i>	Technical support and maintenance <i>HK\$'000</i>	Sharing of profits of a Macau casino junket representative <i>HK\$'000</i>	Total <i>HK\$'000</i>	Marketing service for gaming activities in Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>14,919</u>	<u>3,051</u>	<u>5,765</u>	<u>23,735</u>	<u>11,697</u>	<u>35,432</u>
Segment results	<u>(342)</u>	<u>192</u>	<u>5,765</u>	<u>5,615</u>	<u>(5,521)</u>	<u>94</u>
Interest and unallocated income						1,127
Unallocated corporate expenses						(5,462)
Finance costs						<u>(21)</u>
Loss before tax						(4,262)
Income tax expense						<u>–</u>
Loss for the year						<u>(4,262)</u>
Segment assets	<u>4,175</u>	<u>854</u>	<u>69,283</u>	<u>74,312</u>	<u>–</u>	<u>74,312</u>
Segment liabilities	<u>4,957</u>	<u>885</u>	<u>37,978</u>	<u>43,820</u>	<u>833</u>	<u>44,653</u>
Other information						
Depreciation and amortisation	178	33	–	211	8	219
Capital expenditure	<u>188</u>	<u>45</u>	<u>–</u>	<u>233</u>	<u>–</u>	<u>233</u>

2006

	Continuing operations				Discontinued operation	
	Customised software and related computer equipment <i>HK\$'000</i>	Packaged software <i>HK\$'000</i>	Technical support and maintenance <i>HK\$'000</i>	Total <i>HK\$'000</i>	Marketing service for gaming activities in Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>17,828</u>	<u>977</u>	<u>5,915</u>	<u>24,720</u>	<u>22,778</u>	<u>47,498</u>
Segment results	<u>1,728</u>	<u>466</u>	<u>1,865</u>	<u>4,059</u>	<u>6,941</u>	11,000
Interest and unallocated income						330
Unallocated corporate expenses						(7,301)
Finance costs						<u>(347)</u>
Profit before tax						3,682
Income tax expense						<u>(833)</u>
Profit for the year						<u>2,849</u>
Segment assets	<u>8,016</u>	<u>439</u>	<u>2,660</u>	<u>11,115</u>	<u>5,407</u>	<u>16,522</u>
Segment liabilities	<u>6,263</u>	<u>343</u>	<u>2,079</u>	<u>8,685</u>	<u>2,399</u>	<u>11,084</u>
Other information						
Depreciation and amortisation	356	20	117	493	8	501
Impairment loss on intangible assets	261	14	86	361	–	361
Unallocated impairment loss on available-for-sale financial assets	–	–	–	–	–	330
Capital expenditure	<u>197</u>	<u>11</u>	<u>66</u>	<u>274</u>	<u>31</u>	<u>305</u>

Secondary reporting format – Geographical segments

The Group mainly operates in Hong Kong, Macau and the People's Republic of China (excluding Hong Kong and Macau) ("PRC"). In presenting information on the basis of geographical segments, segment revenue is analysed based on the geographical location of customers whereas segment assets and capital expenditures are based on geographical location of the assets.

Revenue from external customers						
	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	16,243	24,720	–	–	16,243	24,720
Macau	5,765	–	11,697	22,778	17,462	22,778
PRC	1,727	–	–	–	1,727	–
	23,735	24,720	11,697	22,778	35,432	47,498
Segment assets						
	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,175	10,810	–	–	4,175	10,810
Macau	69,283	–	–	5,407	69,283	5,407
PRC	854	305	–	–	854	305
	74,312	11,115	–	5,407	74,312	16,522
Capital expenditure						
	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	226	305	–	–	226	305
Macau	–	–	–	–	–	–
PRC	7	–	–	–	7	–
	233	305	–	–	233	305

5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Continuing operations		
Interest on bank loans and overdrafts wholly repayable with five years	14	341
Interest element of finance leases	7	6
	<u>21</u>	<u>347</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Income tax expense for the year comprised:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Continuing operations	—	—
Discontinued operation		
Current tax – overseas	—	833
	<u>—</u>	<u>833</u>

A reconciliation of the theoretical tax amount calculated using the statutory tax rate to the actual tax expense is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss)/Profit before tax:		
Continuing operations	1,259	(3,259)
Discontinued operation	<u>(5,521)</u>	<u>6,941</u>
	<u>(4,262)</u>	<u>3,682</u>
Tax calculated at Hong Kong profits tax rate of 17.5%	(746)	644
Effect of different tax rates in other jurisdictions	(865)	(418)
Tax effect of income not subject to tax	(270)	47
Tax effect of expenses not deductible for tax	674	92
Tax effect of temporary differences not recognised	248	143
Tax effect of tax losses utilised	–	(139)
Tax effect of tax losses not recognised	<u>959</u>	<u>464</u>
Tax expense for the year	<u>–</u>	<u>833</u>

7. DISCONTINUED OPERATION

On 28 February 2007, the Group entered into an agreement for the termination of the marketing agreement to provide marketing, rolling and settlement services for a VIP lounge of a casino in Macau. In this connection, a compensation of HK\$6,000,000 was paid by the Group and recognised as an expense in the income statement.

The combined results and cash flows of the discontinued operation included in the consolidated income statement and the consolidated cash flow statement are set out below.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss)/Profit for the year from discontinued operation		
Revenue (<i>Note 4</i>)	11,697	22,778
Expenses	<u>(17,218)</u>	<u>(15,837)</u>
(Loss)/Profit before tax	(5,521)	6,941
Income tax expense	<u>–</u>	<u>(833)</u>
(Loss)/Profit for the year from discontinued operation	<u>(5,521)</u>	<u>6,108</u>
Cash flows from discontinued operation		
Net cash flows from operating activities	(1,459)	6,108
Net cash flows from investing activities	–	–
Net cash flows from financing activities	<u>–</u>	<u>–</u>
Net cash flows	<u>(1,459)</u>	<u>6,108</u>

8. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year is stated after charging the following:

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising and promotion costs	315	349	–	–	315	349
Auditors' remuneration	560	280	–	–	560	280
Amortisation of intangible assets	–	217	–	–	–	217
Depreciation:						
Owned assets	172	247	8	8	180	255
Leased assets	39	29	–	–	39	29
	211	276	8	8	219	284
Impairment losses:						
Intangible assets	–	361	–	–	–	361
Available-for-sale financial assets	–	330	–	–	–	330
Minimum lease payments under operating leases in respect of leased premises	1,584	1,251	–	–	1,584	1,251
Staff costs including Directors' emoluments	13,724	13,407	3,131	–	16,855	13,407

9. DIVIDEND

No dividend has been paid or declared by the Company during the year or since the balance sheet date (2006: nil).

10. (LOSS)/EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic (loss)/earnings per share attributable to ordinary equity holders of the parent is based on the Group's loss attributable to equity holders of the parent for the year of HK\$5,992,000 (2006: profit of HK\$2,849,000) and on the weighted average number of 265,906,712 (2006: 251,461,767) ordinary shares in issue during the year.

For continuing operations

The calculation of the basic (loss)/earnings per share from continuing operations attributable to ordinary equity holders of the parent is based on the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to equity holders of the parent	(5,992)	2,849
Less: Loss/(Profit) for the year from discontinued operation	<u>5,521</u>	<u>(6,108)</u>
Loss for the purposes of basic loss per share from continuing operations	<u>(471)</u>	<u>(3,259)</u>
Weighted average number of ordinary shares	<u>265,906,712</u>	<u>251,461,767</u>

For discontinued operation

Basic loss per share for the discontinued operation is HK2.07 cent per share (2006: earnings HK2.43 cents per share), based on the loss for the year from discontinued operation of HK\$5,521,000 (2006: profit HK\$6,108,000) and on the weighted average number of 265,906,712 (2006: 251,461,767) ordinary shares in issue during the year.

Diluted (loss)/earnings per share

Diluted loss per share is not presented for the year ended 31 March 2007 as the Group had no potential dilutive ordinary shares as at the balance sheet date.

Diluted earnings per share is not presented for the year ended 31 March 2006 as the outstanding share options of the Company had anti-dilutive effects on the basic earnings per share.

11. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Group 2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within three months	7,745	6,878
Over three months and within six months	536	718
Over six months and within one year	225	128
Over one year and within two years	<u>17</u>	<u>72</u>
	<u>8,523</u>	<u>7,796</u>

The Group normally grants its customers credit periods for sales of goods ranging from 0 to 14 days. Considerations in respect of contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services are payable pursuant to the terms of the respective contracts. The Group generally granted credit period of 2 months to customers in the marketing service sector.

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	126	2,346
Over three months and within six months	–	29
Over six months and within one year	–	–
Over one year and within two years	742	50
	<hr/>	<hr/>
	868	2,425
	<hr/>	<hr/>

13. COMMITMENT UNDER OPERATING LEASES

As at 31 March 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	781	1,879
In the second to fifth years inclusive	–	1,141
	<hr/>	<hr/>
	781	3,020
	<hr/>	<hr/>

14. COMPARATIVE FIGURES

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the earliest period presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the core business of the Group comprises (i) provision of marketing, gaming and entertainment services in Macau; (ii) sales and implementation service of customised software (including ERP and POS solutions) and related computer equipments; and (iii) provision of technical support and maintenance services on the systems implemented.

Since 2005, the Group has operated in one of the fastest-growing gaming markets in the world, Macau and has engaged in providing marketing, gaming and entertainment services for VIP gaming lounges. For the past year, the gaming and entertainment sector of the Group was adversely affected by the commencement of operations of new casinos in Macau and most of them are employing competitive means to compete directly against the operations of VIP gaming lounges of the Group. The Group intends to devote more resources to undertake marketing and promotion campaigns and aims to diversify the marketing strategies to reach a wider scope of customers. Promotional efforts will be increased to solidify the Group as a long term player in the Macau gaming business.

MATERIAL ACQUISITIONS

(A) Acquisition of Right Gateway

Referring to the announcement dated 21 August 2006 and circular dated 31 October 2006 (the “Circular”) in relation to the acquisition of the entire issued share capital of Right Gateway for a total consideration of HK\$230,200,000, which constituted a major transaction (the “Acquisition”) for the Group under the GEM Listing Rules. Terms used herein shall have the same meanings as defined in the Circular unless defined otherwise.

Right Gateway holds 70% interest in Right Idea, a company which has entered into an agreement with Man Pou to acquire 100% of its Profit, being approximately 0.4% of the Rolling Turnover generated by Man Pou and/or its customers at the Jun Ying VIP Club at the Waldo Casino at the Grand Waldo Hotel together with any other performance bonus received if any by Man Pou.

The Circular regarding the acquisition of Right Gateway was despatched to the shareholders on 31 October 2006 and the shareholders had approved the Acquisition in the special general meeting held on 16 November 2006. Completion of the Acquisition took place on 28 December 2006, consideration shares (i.e. 50,000,000 ordinary shares of the Company) were issued to the Mr. Sin and Ms. Chen and Right Gateway became a wholly-owned subsidiary of the Group.

Referring to the announcement and circular dated 4 June 2007 and 28 June 2007 respectively, a supplemental agreement was entered into by the Company on 21 May 2007 to revise the consideration for the Acquisition from HK\$230,200,000 to HK\$89,877,000 (“Revised Consideration”). The supplemental agreement and the transaction contemplated thereby constitute a major and connected transaction for the Company under the GEM Listing Rules and are subject to the approval of independent shareholders of the Company in the special general meeting of the Group to be held on 3 August 2007 (“the SGM”). A circular containing information on, inter alia, the supplemental agreement together with the notice convening the SGM was despatched to the shareholders on 28 June 2007.

(B) Termination of the marketing agreement dated 14 July 2005 made between the Group and Mr. Iong Io Hong (“Marketing Agreement”)

Having taken into account of the increasing competition in the Macau gaming market, the Board has made a strategic decision to terminate the Marketing Agreement on 28 February 2007 for the provision of rolling and settlement services in the Emperor VIP Club at the Galaxy Casino at the Waldo Hotel in Macau in order to reallocate and centralise resources in developing high profit customers in the Jun Ying VIP Club. A compensation of HK\$6,000,000 has been made for the early termination of the Marketing Agreement.

FINANCIAL REVIEW

Turnover and Loss Attributable to Shareholders

During the year under review, turnover from the continuing operations and discontinued operation was approximately HK\$35.43 million, recorded a decrease of 25% as compared to last year (2006: HK\$47.5 million). Loss attributable to shareholders was HK\$5.99 million (2006: Profit of HK\$2.85 million). The drop in turnover and loss for the year under review was mainly due to the early termination of Marketing Agreement.

Segment Performance

During the year under review, turnover contributed by the gaming and entertainment sector (including the sharing of profits of a junket representative of a VIP lounge of a casino in Macau and the marketing service for gaming activities in Macau) as the primary business segment of the Group was HK\$17.46 million (2006: HK\$22.78 million), representing a decrease of 23% comparing with last year. The early termination of the Marketing Agreement caused a drop in turnover of HK\$11.08 million from the provision of the marketing service for gaming activities in Macau. Turnover contributed by sales of customised software and related computer equipment was HK\$14.92 million, decreased by 16% (2006: HK\$17.83 million). Revenue from the support and maintenance services was HK\$3.05 million, decreased by 48% (2006: HK\$5.92 million). The contribution of gaming and entertainment sector to turnover for the financial year was 49% (2006: 48%), and that of IT sector was 51% (2006: 52%).

Financial Resources, Liquidity and Gearing

As at 31 March 2007, the Group had cash and bank balances of approximately HK\$1.28 million (2006: HK\$6.89 million). The Group’s current assets are approximately 0.34 times (2006: 1.46 times) over its current liabilities. For the year under review, the Group was financed by its own working capital and the gearing ratio which represents the total borrowings divided by total assets was 0.19% (2006: 2.37%).

The consideration payable for the Acquisition was the main reason for the drop in current ratio of the Group for the year ended as at 31 March 2007. Referring to the announcement dated 4 June 2007 and the circular dated 28 June 2007, subject to the approval of independent shareholders at the SGM, part of the funds raised from a proposed rights issue in the amount of HK\$30 million will be used for the partial settlement of the Revised Consideration. In view of the Group’s current liquidity position and the potential fund raising, the Directors expect the Group will have sufficient funds to meet its operational and investment needs in the foreseeable future.

Charge of Group’s Assets

As at 31 March 2007, none of the Group’s assets has been pledged (2006: Nil).

Foreign Currency Exposure

As the sales, expenditures, assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi, the Directors believe that the Group's exposure to foreign currency fluctuations is minimal and no hedging is considered necessary.

Contingent Liabilities

As at 31 March 2007, the Group did not have any significant contingent liabilities.

Employees

As at 31 March 2007, the Group has approximately 44 (2006: 44) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the year under review amounted to approximately HK\$16.86 million (2006: HK\$13.41 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. For employees in the PRC, the Group is required to contribute to state-sponsored retirement plans at certain prescribed rates based on their basic salaries. In addition, the Group provided comprehensive on-the-job trainings to its employees and sponsored those participated in job-related training courses to ensure their qualifications always meet the changing market standards.

Future Plan of Capital Investments

Going forward, in addition to the continual improvement of the operating performance of the existing business, the Group will seek business collaborations and investment opportunities in the South East Asia region with the aim to boost the Group's gaming and entertainment revenues.

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 March 2007, the following Directors and chief executive of the Company had or were deemed to have interests in the equity shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to Part XV of the SFO or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules:

Name	Type of interest	Number of ordinary shares in the Company	Percentage of shareholding
<i>Directors</i>			
Wong Kam Leong	Corporate Interest (<i>Note 1</i>)	102,500,000	33.83%
Lai Cho Wai	Personal Interest (<i>Note 2</i>)	22,000,000	7.26%

Notes:

1. The 102,500,000 shares in the Company are beneficially owned by and registered in the name of Wide Fine International Limited (“Wide Fine”), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong.
2. Mr. Lai Cho Wai is the registered holder and beneficial owner of 22,000,000 shares in the Company.

Save as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the Directors and chief executives (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any right to subscribe for the shares of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the Directors, chief executives or their associates had any interests or short position in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the year ended 31 March 2007.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 March 2007, the Company had been notified of the following substantial shareholders’ interests, 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.

Name	Number of ordinary shares held	Percentage of shareholding
Wide Fine International Limited	102,500,000	33.83%*
Chen Anfeng (<i>Note 1</i>)	25,000,000	8.25%*
Lai Pak Leng	23,000,000	7.59%*
Lai Cho Wai	22,000,000	7.26%*

* *All shareholdings are beneficially held as stated above.*

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO.

Note 1: The Company was notified on 23 May 2007 that Chen Anfeng became the beneficial owner of 25,000,000 Shares on 28 December 2006, representing 8.25% of the issued share capital of the Company as at 31 March 2007.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2007, the Directors are not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Ieong Meng Wa, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with all the code provisions in the code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("the CG Code") during the year under review, except that Mr. Wong Kam Leong ("Mr. Wong") assumes the role of both the Chairman and the Chief Executive Officer of the Company. The role of the Chairman and the Chief Executive Officer of the Group rests on the same individual which deviates from the code provision A.2.1 in the CG Code of not having a clear division of responsibilities.

The Board is of the view that this has not compromised accountability and independent decision making because of its members three out of six of its members are independent and have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

In addition, Mr. Wong is a substantial shareholder of the Group. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standards of dealings regarding securities transactions by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required such code of conduct and required standard of dealings throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

On behalf of the Board
Wong Kam Leong
Chairman

29 June 2007, Hong Kong

As at the date hereof, the executive Directors are Mr. Wong Kam Leong, Mr. Lai Cho Wai and Mr. Ma Chon; and the independent non-executive Directors are Mr. Leong Meng Wa, Mr. Ng Kwok Chu, Winfield and Mr. Ng Chau Tung, Robert.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for seven days from the day of its posting.