ANNUAL REPORT 2007

LONG SUCCESS
百齡國際

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability) Stock Code : 8017

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This report, for which the directors (the "Directors") of Long Success International (Holdings) Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Kam Leong *(Chairman)*
Mr. Lai Cho Wai *(Deputy Chairman)*
Mr. Ma Chon

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Kwok Chu, Winfield
Mr. Ng Chau Tung, Robert
Mr. Ieong Meng Wa

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Miss Hui Yat Lam
Associate member of the Hong Kong Institute of Certified Public Accountants
Fellow member of Association of Chartered Certified Accountants

COMPLIANCE OFFICER

Mr. Wong Kam Leong

AUTHORISED REPRESENTATIVES

Mr. Wong Kam Leong
Miss Hui Yat Lam

AUDIT COMMITTEE

Mr. Ng Kwok Chu, Winfield
Mr. Ng Chau Tung, Robert
Mr. Ieong Meng Wa

LEGAL ADVISERS

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Suite 2502, 9 Queen's Road Central
Central, Hong Kong

Appleby – as to Bermuda Law
5511, The Centre
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Central, Hong Kong

AUDITORS

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Certified Public Accountants
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Hong Kong

REGISTERED OFFICE

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Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Reid Management Limited
Argyle House, 41A Cedar Avenue
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Ltd
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

WEBSITES

http://www.long-success.com
http://www.cyberm.com.hk

Chairman's Statement

REVIEW

The principal activities of the Group comprise developing business relating to the gaming and entertainment sector, and providing IT consulting services in the Greater China Region.

Here are some financial and business highlights of the Group for the financial year ended 31 March 2007:

- Turnover from the continuing operation and discontinued operation was HK$35.43 million, representing a decrease of 25% when compared to 2006's figures. The gaming and entertainment sector and IT sector recorded 23% and 27% drop in turnover respectively.

- Loss attributable to shareholders was HK$5.99 million whereas there was a gain of HK$2.85 million in 2006.

- Basic loss per share from the continuing operations and discontinued operation (EPS) was HK$0.0225 when compared to an earning per share of HK$0.0113 in 2006.

- In December 2006, the Group completed the acquisition of the entire issued share capital of Right Gateway Limited ("Right Gateway") for a total consideration of HK$230,200,000. Right Gateway holds a 70% interest in Right Idea Investments Limited ("Right Idea"), a company which has entered into an agreement with Man Pou Gambling Promotion Company Limited ("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 and 100% of performance bonuses (if any) received by Man Pou.

- Besides, the Group will continue to provide IT consulting services in the Great China Region, which include smartcard system, ERP and POS solutions, etc.

PROSPECTS

During the year under review, our gaming and entertainment businesses in Macau faced keen competition arising from continuous openings of new casinos which drove down the net win for the VIP gaming tables. For the coming future, the Group's gaming and entertainment businesses in Macau will still face uncertainty because of recent measures adopted by the Guangdong provincial government to tighten the individual visit scheme to Macau and the growing number of new casinos and VIP gaming tables. However, the management believes the gaming and entertainment businesses will continue to grow and become the key profit centre by devoting more resources to undertake marketing and promotion campaigns. The Group will also seek investment opportunities in the South East Asia that are beneficial to the shareholders with the aim to boost the Group's gaming revenues.

Wong Kam Leong
Chairman
Hong Kong, 29 June 2007

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 convencing 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 of Directors (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 Imperator VIP Club at the Galaxy Casino at the Waldo Hotel in Macau in order to reallocate and centralize 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 discounted operation was approximately HK$35.43 million, recorded a decrease of 25% as compared to last year (2006: HK$47.50 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), represented a decrease of 23% comparing with last year. The early termination of the Marketing Agreement caused a drop in turnover of HK$11.08 from the provision of 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 the 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).

Management Discussion and Analysis

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.

PROFILE OF DIRECTORS

Profile of the directors of the Company are set out as follows:

EXECUTIVE DIRECTORS

Mr. Wong Kam Leong, aged 43 is appointed as executive Director and the chairman of the Company with effect from 28 November 2005. And he has also been the chairman and legal representative of a PRC electric appliance company namely Zhongshan Weili Electronics Appliances Group Limited (中山威力電器集團有限公司). He has over 10 years experience in sales and marketing and property trading and development in the Mainland China. Mr. Wong is responsible for the overall strategic planning, direction and business development of the Company. Mr. Wong is the controlling shareholder of the Company

Mr Lai Cho Wai, aged 38 is appointed as executive Director and the deputy chairman of the Company with effect from 22 June 2005. Mr. Lai is the executive manager of the JADE VIP Lounge in the Jai Alai Casino in Macau since 1996. Mr Lai is also the director of Macau Street E-Tech & Advertising Limited and the director of Rock & Roll Amusement Development Incorporation Limited since 2000. He has vast experience in the gaming industry, in particular, in relation to the management of VIP lounges in casinos, formulating policies of VIP lounges and analysing monthly business statements of VIP lounges.

Mr. Ma Chon, aged 49, has been appointed as an executive Director of the Company with effect from 28 November, 2005. Mr. Ma was also the marketing manager of the LEROY VIP Lounge in the Lisboa Casino in Macau. He has vast experience in the gaming industry in Macau, in particular, in relation to the management of VIP lounges in casinos, formulating marketing policies of VIP lounges.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. Ng Kwok Chu, Winfield, aged 48, has been appointed as an INED and member of audit committee of the Company with effect from 3 January 2006. Mr. Ng was the general manager of a reputable financial institution. Mr. Ng has over 10 years consumer and commercial finance experiences and has in-depth knowledge in cross-border market and financing operation.

Mr. Ng Chau Tung, Robert, aged 51, has been appointed as an INED and member of audit committee of the Company with effect from 3 January 2006. Mr. Ng holds a Bachelor of Business Administration from The Chinese University of Hong Kong. He is also the member of the Institute of Financial Accountant (U.K.) and the Registered Financial Planner. Mr Ng has over 20 years experience in the banking sector. He was also the chairman of the Hong Kong Equipment Leasing Association, and independent non-executive committee member of the Finance House Association and the Hong Kong Deposit Taking Company Association.

Mr. Ieong Meng Wa, aged 47, has been appointed as an INED and member of audit committee of the Company with effect from 7 April 2006. Mr. Ieong is director of private property trading and development companies. He has vast experience in sales and marketing and property trading and development in Macau and the Mainland China.

Each independent non-executive Director gave an annual confirmation of his independence to the Company pursuant to rule 5.09 of the GEM Listing Rules and the Company considers them to be independent.

There is no service contract between the Company and all the directors. The directors are subject to retirement by rotation and re-election pursuant to the bye-laws of the Company.

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 19 to the accounts. An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 19. The directors do not recommend the payment of a dividend for the year ended 31 March 2007 (2006: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 29 to the accounts.

As at 31 March 2007, the Company had no reserves available for distribution to its shareholders (2006: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 18 to the accounts.

SHARE CAPITAL

Details of movements in the share capital are set out in note 27 to the accounts.

PRE-EMPTIVE RIGHTS

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

Referring to the announcement and circular dated 4 June 2007 and 28 June 2007 respectively, the Company proposed an amendment of the bye-laws to allow a distribution to shareholders on a non-pro-rata basis. This proposal is subject to the approval of the independent shareholders at the SGM.

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 66.

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.

CONNECTED TRANSACTIONS

During the year, the Company did not undertake any connected transaction as defined under the GEM Listing Rules.

Details about other related party transaction undertaken in the normal course of business but not constituting a discloseable connected transaction as defined under the GEM Listing Rules are set out in note 35 to the accounts.

DIRECTORS

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

Executive directors
Mr. Wong Kam Leong
Mr. Lai Cho Wai
Mr. Ma Chon
Mr. Lau Chiu Pui (Resigned on 28 December 2006)

Independent non-executive directors
Mr. Ng Kwok Chu, Winfield
Mr. Ng Chau Tung, Robert
Mr. Ieong Meng Wa (Appointed on 7 April 2006)

In accordance with the bye-laws of the Company, Mr. Wong Kam Leong and Mr. Lai Cho Wai will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

SHARE OPTIONS

A summary of the share option scheme and details of the movements in share options of the Company during the year are set out on pages 57 to 59.

DIRECTORS' SERVICE CONTRACTS

None of the directors (including those 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' INTERESTS IN CONTRACTS

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

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 shares, underlying shares and debentures of the Company or any of its associated corporations (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
Directors			
Wong Kam Leong	Corporate Interest *(Note 1)*	102,500,000	33.83%
Lai Cho Wai	Personal Interest *(Note 2)*	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 *(Note 1)*	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.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	15.08%
– five largest suppliers combined	47.22%
Sales	
– the largest customer	13.78%
– five largest customers combined	48.36%

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 any interest in the Group's five largest suppliers or customers during the year.

Report of the Directors

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.

CORPORATE GOVENANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 13 to 16 of this report.

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.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the year ended 31 March 2007, the Company has complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures.

AUDITORS

The accounts have been audited by GC Alliance Limited who retire and, being eligible, offer themselves for re-appointment.

CCIF CPA Limited tendered their resignation as auditors of the Company with effect from 17 May 2007 and GC Alliance Limited was appointed as auditors of the Company.

On behalf of the Board

Wong Kam Leong
Chairman

Hong Kong, 29 June 2007

The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 ("the Code on CG Practices") other than the deviations as disclosed in this report.

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.

BOARD OF DIRECTORS

As at 31 March 2007, the Board comprised 6 Directors, including 3 executive directors, and 3 independent non-executive directors (the "INED").

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

Executive directors
Mr. Wong Kam Leong *(Chairman)*
Mr. Lai Cho Wai *(Deputy Chairman)*
Mr. Ma Chon
Mr. Lau Chiu Pui (Resigned on 28 December 2006)

Independent non-executive directors
Mr. Ng Kwok Chu, Winfield
Mr. Ng Chau Tung, Robert
Mr. Ieong Meng Wa (Appointed on 7 April 2006)

Under the bye-laws of the Company, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation save for any Director holding office as Chairman or Managing Director. The retiring Directors shall be eligible for re-election. Hence the independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation. Accordingly, Mr. Wong Kam Leong and Mr. Lai Cho Wai will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Corporate Governance Report

Detail of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on page 7 of the Annual Report. The Board includes a balanced composition of executive directors and INED and posses a wide spectrum of relevant skills and experience.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group.

The Board delegates the day-to-day management, administration and operation of the Company to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Company. The Board gives clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Twelve Board meetings were held during the year under review. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are both held by the same individual.

Mr. Wong Kam Leong ("Mr. Wong") assumes the role of both the Chairman and the Chief Executive Officer of the Company. Mr. Wong is responsible for business plans, strategies and policies. He ensures that the Board acts in the best interest of the Group and all key and appropriate issues are properly briefed and discussed by the Board in order for the Board functions effectively.

The role of the Chairman and the Chief Executive Officer of the Company rests on the same individual which deviates from the code provision A.2.1 in the Code on CG Practices 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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are persons of high caliber and with vast experiences in the fields of accounting, financial and overseas market. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gave an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETINGS

Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Mr. Wong Kam Leong	12/12	N/A	N/A
Mr. Lai Cho Wai	7/12	N/A	N/A
Mr. Ma Chon	12/12	N/A	N/A
Mr. Lai Chiu Pui *(Note 1)*	6/12	N/A	N/A
Mr. Ng Kwok Chu, Winfield	5/12	4/4	1/1
Mr. Ng Chau Tong, Robert	3/12	2/4	1/1
Mr. Ieong Meng Wa	5/12	4/4	1/1

Note 1: Resigned on 28 December 2006.

NOMINATION OF DIRECTORS

The full Board is responsible for the selection and approval of candidate for the appointment as and the remuneration of Director(s), and the Company has not established a Nomination Committee for the time being.

In considering the nomination of Directors, the Directors took into account the qualifications, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the industry and/or other professional areas.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee on 9 May 2006 which consists of three independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tong, Robert and Mr. Ieong Meng Wa.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy for Directors and senior management and overseeing the remuneration packages of the executive Directors and senior management.

One Remuneration Committee meeting was held during the year under review to discuss the policy and structure of the remuneration of the Directors. All the Remuneration Committee members attended that meeting.

The Company has adopted a share option scheme on 21 August 2006. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to any eligible participants which include Directors as incentives or rewards for their contribution to the Group. Details of the share option scheme are set out in pages 57 to 59 in the Annual Report. Details of the Directors' remuneration are set out in note 15 to the financial statements.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, have made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure an effective and adequate internal control system exists. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorised use or misappropriation, maintaining accounting records properly and ensuring the reliability of financial information.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. During the year ended 31 March 2007, the audit committee comprises the following members, namely, Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Ieong Meng Wa. All of them are independent non-executive directors. The chairman of the audit committee is Mr. Ng Kwok Chu, Winfield.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance**
Mr. Ng Kwok Chu, Winfield	4/4
Mr. Ng Chau Tung, Robert	2/4
Mr. Ieong Meng Wa	4/4

The audited consolidated results of the Group for the year ended 31 March 2007 have been reviewed by the audit committee.

There is no disagreement between the Audit Committee and the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

AUDITORS' REMUNERATION

The amount of fees charged by the Auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 March 2007, the Auditors of the Company received approximately HK$560,000 for audit services and HK$160,000 for non-audit services comprising consultancy services.

Independent Auditors' Report

GC Alliance Limited
Certified Public Accountants
正立會計師事務所有限公司

TO THE SHAREHOLDERS OF
LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Long Success International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 19 to 65, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the states of affairs of the Company and the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

GC Alliance Limited
Certified Public Accountants
Suites 2406-7, 24th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

29 June 2007

Pang Fung Ming
Practising Certificate number P03124

Consolidated Income Statement

for the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS			
REVENUE	6	**23,735**	24,720
Other income	6	**1,127**	330
Raw materials and consumables used		**(3,240)**	(8,040)
Staff costs		**(13,724)**	(13,407)
Depreciation of 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	7	**(21)**	(347)
Profit/(Loss) before tax		**1,259**	(3,259)
Income tax expense	8	**–**	–
Profit/(Loss) for the year from continuing operations		**1,259**	(3,259)
DISCONTINUED OPERATION			
(Loss)/Profit for the year from discontinued operation	9	**(5,521)**	6,108
(Loss)/Profit for the year	10	**(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	13		
For continuing and discontinued operations			
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

The notes on pages 25 to 65 form part of these financial statements.

Balance Sheets

as at 31 March 2007

	Note	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Non-current assets					
Intangible assets	16	**–**	–	**–**	–
Goodwill	17	**63,376**	–	**–**	–
Property, plant and equipment	18	**424**	410	**–**	–
Interests in subsidiaries	19	**–**	–	**61,255**	12,577
Available-for-sale financial assets	20	**–**	–	**–**	–
		63,800	410	**61,255**	12,577
Current assets					
Trade receivables	21	**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	22	**868**	2,425	**–**	–
Accruals and other payables		**4,294**	4,039	**2,155**	843
Deferred consideration for acquisition	23	**21,577**	–	**21,577**	–
Receipts in advance		**2,230**	2,083	**–**	–
Current portion of bank loans	24	**–**	229	**–**	–
Current portion of obligations under finance leases	25	**144**	108	**–**	–
Amount due to ultimate holding company	26	**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
Non-current liabilities					
Deferred consideration for acquisition	23	**13,300**	–	**13,300**	–
Obligations under finance leases	25	**–**	54	**–**	–
		13,300	54	**13,300**	–
NET ASSETS		**29,659**	5,438	**23,958**	11,544

Balance Sheets

as at 31 March 2007

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		HK$'000	HK$'000	**HK$'000**	HK$'000
Capital and reserves					
Share capital	27	**30,303**	25,303	**30,303**	25,303
Reserves	29	**(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

Approved and authorised for issue by the board of directors on 29 June 2007.

Wong Kam Leong
Director

Ma Chon
Director

The notes on pages 25 to 65 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2007

	Attributable to equity holders of the parent							
	Share capital	**Share premium**	**Merger reserve**	**Exchange reserve**	**Accumulated losses**	**Total**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	25,006	5,613	(341)	(59)	(30,175)	44	–	44
Exchange differences arising on translation of foreign operations	–	–	–	(9)	–	(9)	–	(9)
Loss recognised directly in equity	–	–	–	(9)	–	(9)	–	(9)
Profit for the year	–	–	–	–	2,849	2,849	–	2,849
Total recognised income and expenses	–	–	–	(9)	2,849	2,840	–	2,840
Issue of shares exercise of share options (Note 28)	297	2,257	–	–	–	2,554	–	2,554
At 31 March 2006 and 1 April 2006	25,303	7,870	(341)	(68)	(27,326)	5,438	–	5,438
Exchange differences arising on translation of foreign operations	–	–	–	(17)	–	(17)	–	(17)
Loss recognised directly in equity	–	–	–	(17)	–	(17)	–	(17)
Loss for the year	–	–	–	–	(5,992)	(5,992)	1,730	(4,262)
Total recognised income and expenses	–	–	–	(17)	(5,992)	(6,009)	1,730	(4,279)
Issue of shares	5,000	23,500	–	–	–	28,500	–	28,500
At 31 March 2007	30,303	31,370	(341)	(85)	(33,318)	27,929	1,730	29,659

The notes on pages 25 to 65 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
(Loss)/Profit for the year	**(4,262)**	2,849
Adjustments for:		
Income tax expense	**–**	833
Finance costs	**21**	347
Depreciation of property, plant and equipments	**219**	284
Amortisation of intangible assets	**–**	217
Impairment loss on intangible assets	**–**	361
Impairment loss on available for sale financial assets	**–**	330
Interest income	**(16)**	(153)
Operating cash flows before working capital changes	**(4,038)**	5,068
Decrease in inventories	**–**	99
Increase in trade receivables, prepayments, deposits and other receivables	**(7)**	(4,599)
(Increase)/Decrease in trade payables, accruals, other payables and receipts in advance	**(1,155)**	2,435
Increase in amount due to ultimate holding company	**–**	1,313
Cash (used in)/generated from operations	**(5,200)**	4,316
Interest paid	**(21)**	(347)
Interest received	**16**	153
Net cash (used in)/generated from operating activities	**(5,205)**	4,122
Investing activities		
Purchase of property, plant and equipment	**(112)**	(305)
Net cash used in investing activities	**(112)**	(305)
Financing activities		
Inception of finance lease	**–**	216
Repayment of obligations under finance leases	**(139)**	(54)
Repayment of bank loans	**(229)**	(519)
Repayment to a director	**–**	(358)
Advance from ultimate holding company	**94**	–
Proceeds from issue of shares	**–**	2,554
Net cash (used in)/generated from financing activities	**(274)**	1,839

Consolidated Cash Flow Statement

for the year ended 31 March 2007

	2007	2006
	HK$'000	HK$'000
Net (decrease)/increase in cash and cash equivalents	**(5,591)**	5,656
Cash and cash equivalents at the beginning of the year	**6,885**	1,238
Effect of foreign exchange rate changes	**(17)**	(9)
Cash and cash equivalents at the end of the year	**1,277**	6,885
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,277**	5,585
Fixed deposits	**–**	1,300
	1,277	6,885

The notes on pages 25 to 65 form part of these financial statements.

Notes to the Financial Statements

31 March 2007

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock 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.

As described in note 34, 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.

Notes to the Financial Statements

31 March 2007

2. BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively the "Group") 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 polices 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. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Group is set out below:

(A) BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(B) GOODWILL

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment and is allocated to cash-generating units for the purposes of impairment testing.

Gain or loss on disposal of an entity include the carrying value of goodwill relating to the entity sold.

Notes to the Financial Statements

31 March 2007

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) SUBSIDIARIES AND MINORITY INTERESTS

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interest which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority interests exceed the minority's interest in the equity of a subsidiary, the excess, and any future losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(D) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and, where it is probable that the economic benefits will flow to the Group and the revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably, is recognised as follows:

(i) Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Service income is recognised when services are provided.

(iii) Revenue from sharing of profits is recognised when the right to receive profit is established.

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(v) Dividend income from securities and other investments is recognised when the right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvement	50% or over the lease term whichever is shorter
Furniture and fixtures	25%
Computer equipment	25 – $33^1/_3$%
Motor vehicles	25%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(F) INTANGIBLE ASSETS

(i) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of 3 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Software

The cost of acquisition of software is capitalised and treated as an intangible asset if the cost is not an integral part of the related hardware. Software is amortised on a straight-line basis over the remaining estimated useful life or 3 years whichever is shorter.

Notes to the Financial Statements

31 March 2007

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation, and are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash-generating units).

(H) FINANCIAL ASSETS

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified as any of the other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) FINANCIAL LIABILITIES

(i) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in income statement over the period of the borrowing using the effective interest method.

(ii) Trade and other payables

Trade and other payables (including amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and which have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(K) LEASES

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

(i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipments, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipments as set out in note 4(E) and 4(G) respectively, except that the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Financial Statements

31 March 2007

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) LEASES (Continued)

(ii) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

(L) INCOME TAX

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

(M) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) PROVISIONS AND CONTINGENT LIABILITIES (Continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(N) FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in the terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the average exchange rate for the year. The resulting exchange differences are included in the exchange reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purposes of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

(O) EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

Notes to the Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(O) EMPLOYEE BENEFITS (Continued)

The Group operates a number of defined contribution retirement plans, the assets of which are held in separate trustees administered funds. The Group's contributions to the defined contribution retirement plans are expensed when the employees have rendered services entitling them to the contributions.

(P) BORROWING COSTS

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing cost are charged to the income statement in the year in which they are incurred.

(Q) RELATED PARTIES

Two 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, or vice versa, or where the parties are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or corporate entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related of the Group.

(R) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(R) SEGMENT REPORTING (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the review and future periods in the revision affects both current and future periods.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Deferred consideration for acquisition

As described in notes 23 and 31, the Group acquired Right Gateway on deferred payment terms contingent on the future profits achieved by Right Gateway through Right Idea. On acquisition date, estimates are made of the expected future revenue and profit based on forecasts made by management. These estimates are re-assessed at each reporting date and adjustments are made to the deferred consideration and related goodwill balances, where necessary. Amounts of deferred consideration payable after one year are discounted using discount rates that reflect the current market assessment of the time value of money and, where appropriate, the risks specific to the acquired business.

Notes to the Financial Statements

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5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of the goodwill at 31 March 2007 was HK$63,376,000 (2006: nil). More details are given in note 17.

(ii) Impairment of trade receivable

The policy for impairment assessment for trade receivable of the Group is based on the evaluation of collectability and an aging analysis of trade receivables and on the judgment of the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivable, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

6. 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**	–
	23,735	24,720
Discontinued operation		
Income from marketing, rolling and settlement services for a VIP lounge of a casino in Macau *(Note 9)*	**11,697**	22,778
	35,432	47,498
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
	1,127	330

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.

Notes to the Financial Statements

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6. REVENUE AND SEGMENT INFORMATION (Continued)

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

	2007					
	Continuing operations				Discontinued operation	
	Customised software and related computer equipment HK$'000	Technical support and maintenance HK$'000	Sharing of profits of a Macau casino junket representative HK$'000	Total HK$'000	Marketing service for gaming activities in Macau HK$'000	Consolidated HK$'000
Revenue	14,919	3,051	5,765	23,735	11,697	35,432
Segment results	(342)	192	5,765	5,615	(5,521)	94
Interest and unallocated income						1,127
Unallocated corporate expenses						(5,462)
Finance costs						(21)
Loss before tax						(4,262)
Income tax expense						–
Loss for the year						(4,262)
Segment assets	4,175	854	69,283	74,312	–	74,312
Segment liabilities	4,957	885	37,978	43,820	833	44,653
Other information						
Depreciation and amortisation	178	33	–	211	8	219
Capital expenditure	188	45	–	233	–	233

6. REVENUE AND SEGMENT INFORMATION (Continued)

	2006					
	Continuing operations				Discontinued operation	
	Customised software and related computer equipment HK$'000	Packaged software HK$'000	Technical support and maintenance HK$'000	Total HK$'000	Marketing service for gaming activities in Macau HK$'000	Consolidated HK$'000
Revenue	17,828	977	5,915	24,720	22,778	47,498
Segment results	1,728	466	1,865	4,059	6,941	11,000
Interest and unallocated income						330
Unallocated corporate expenses						(7,301)
Finance costs						(347)
Profit before tax						3,682
Income tax expense						(833)
Profit for the year						2,849
Segment assets	8,016	439	2,660	11,115	5,407	16,522
Segment liabilities	6,263	343	2,079	8,685	2,399	11,084
Other information						
Depreciation and amortisation	356	20	117	493	8	501
Impairment losses on intangible assets	261	14	86	361	–	361
Unallocated impairment loss on available-for-sale financial assets	–	–	–	–	–	330
Capital expenditure	197	11	66	274	31	305

Notes to the Financial Statements

31 March 2007

6. REVENUE AND SEGMENT INFORMATION (Continued)

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

7. FINANCE COSTS

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

8. 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 HK$'000	2006 HK$'000
Continuing operations	**–**	–
Discontinued operation		
Current tax - overseas	**–**	833
	–	833

Notes to the Financial Statements

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8. INCOME TAX EXPENSE (Continued)

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

	2007 HK$'000	2006 HK$'000
(Loss)/Profit before tax:		
Continuing operations	**1,259**	(3,259)
Discontinued operation	**(5,521)**	6,941
	(4,262)	3,682
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	**959**	464
Tax expense for the year	**–**	833

9. 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.

9. DISCONTINUED OPERATION (Continued)

	2007 HK$'000	2006 HK$'000
(Loss)/Profit for the year from discontinued operation		
Revenue *(Note 6)*	**11,697**	22,778
Expenses	**(17,218)**	(15,837)
(Loss)/Profit before tax	**(5,521)**	6,941
Income tax expense	**–**	(833)
(Loss)/Profit for the year from discontinued operation	**(5,521)**	6,108
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	**–**	–
Net cash flows	**(1,459)**	6,108

10. (LOSS)/PROFIT FOR THE YEAR

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

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'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 (note 14)	**13,724**	13,407	**3,131**	–	**16,855**	13,407

Notes to the Financial Statements

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11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to equity holders of the parent dealt with in the accounts of the Company was approximately HK$16,086,000 (2006: HK$1,874,000).

12. DIVIDEND

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

13. (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 **HK$'000**	2006 HK$'000
(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	**5,521**	(6,108)
Loss for the purposes of basic loss per share from continuing operations	**(471)**	(3,259)
Weighted average number of ordinary shares	**265,906,712**	251,461,767

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.

14. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Salaries and benefits	**13,257**	12,936	**3,131**	–	**16,388**	12,936
Contributions to defined contribution retirement schemes*	**467**	471	**–**	–	**467**	471
	13,724	13,407	**3,131**	–	**16,855**	13,407

* No forfeited contributions were utilised during the year and there were no material forfeitures available to reduce the Group's future contributions at both 31 March 2007 and 31 March 2006.

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments of the directors of the Company during the year are as follows:

	2007 HK$'000	2006 HK$'000
Fees	**150**	24
Salaries including benefits in kind	**1,680**	1,627
Performance related bonus	**2,475**	–
Contributions to defined contribution retirement scheme	**18**	22
	4,323	1,673

Notes to the Financial Statements

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15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of each individual director is set out below:

2007	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Wong Kam Leong	–	–	–	–	–
Lau Chiu Pui (resigned on 28 December 2006)	–	1,200	–	18	1,218
Lai Cho Wai	–	240	1,238	–	1,478
Ma Chon	–	240	1,237	–	1,477
Independent non-executive directors					
Ieong Meng Wa (appointed on 7 April 2006)	50	–	–	–	50
Ng Kwok Chu, Winfield	50	–	–	–	50
Ng Chau Tung, Robert	50	–	–	–	50
	150	1,680	2,475	18	4,323

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

2006

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Wong Kam Leong				
(appointed on 28 November 2005)	–	–	–	–
Lau Chiu Pui				
(resigned on 28 December 2006)	–	1,200	13	1,213
Lai Cho Wai				
(appointed on 22 June 2005)	–	185	–	185
Ma Chon				
(appointed on 28 November 2005)	–	13	–	13
Chau Pui Fong, Trish				
(resigned on 3 January 2006)	–	183	9	192
Non-executive director				
Chiu Raymond Yim				
(resigned on 3 January 2006)	–	–	–	–
Independent non-executive directors				
Ieong Meng Wa				
(appointed on 7 April 2006)	–	–	–	–
Ng Kwok Chu, Winfield				
(appointed on 3 January 2006)	12	–	–	12
Ng Chau Tung, Robert				
(appointed on 3 January 2006)	12	–	–	12
Cheong Ngai Ming, David				
(resigned on 3 January 2006)	–	46	–	46
Kwan Ngan Hing, Edith				
(resigned on 3 January 2006)	–	–	–	–
Chan Wai Choi, Glenn				
(resigned on 3 January 2006)	–	–	–	–
	24	1,627	22	1,673

Notes to the Financial Statements

31 March 2007

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

During the year, no option was granted to the directors in respect of their services to the Group (2006: nil).

There was no arrangement under which a director waived or agreed to waive any emoluments for the year (2006: nil).

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2006: one) director whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2006: four) individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,126**	2,326
Retirement scheme contributions	**24**	48
	1,150	2,374

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Nil - HK$1,000,000	**2**	4

16. INTANGIBLE ASSETS

	Group		
	Development expenditures	**Software**	**Total**
	HK$'000	HK$'000	HK$'000
Cost			
At 1 April 2005 and 31 March 2006	8,268	1,300	9,568
At 1 April 2006 and 31 March 2007	8,268	1,300	9,568
Accumulated amortisation and impairment			
At 1 April 2005	8,268	722	8,990
Amortisation charge for the year	–	217	217
Impairment for the year	–	361	361
At 1 April 2006 and 31 March 2007	8,268	1,300	9,568
Carrying amount			
At 31 March 2007	–	–	–
At 31 March 2006	–	–	–

17. GOODWILL

	Group	
	2007	2006
	HK$'000	HK$'000
Cost and carrying amount		
At 1 April 2005	**–**	–
At 31 March 2006 and 1 April 2006	**–**	–
Acquisition of subsidiaries (note 31)	**63,376**	
At 31 March 2007	**63,376**	–

IMPAIRMENT TEST FOR GOODWILL

Goodwill as of 31 March 2007 has entirely been allocated to the Group's cash-generating unit (CGU) being the segment for the sharing of profits of a junket representative of a VIP lounge of a casino in Macau, which is identified according to business segments.

Notes to the Financial Statements

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17. GOODWILL (Continued)

IMPAIRMENT TEST FOR GOODWILL (Continued)

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections covering a five-year period based on financial forecasts approved by management. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations in respect of the segment for the sharing of profits of a junket representative of a VIP lounge of a casino in Macau are as follows:

	2007	2006
Growth rate	**3.00%**	–
Discount rate	**7.93%**	–

Management prepared the financial forecasts based on past performance and its expectation for the relevant market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the gaming industry in Macau.

18. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvement HK$'000	**Furniture and fixtures** HK$'000	**Computer equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost					
At 1 April 2005	489	1,088	2,371	457	4,405
Additions	–	10	295	–	305
At 31 March 2006 and 1 April 2006	489	1,098	2,666	457	4,710
Additions	23	-	210	–	233
Disposals	–	–	(273)	–	(273)
At 31 March 2007	512	1,098	2,603	457	4,670
Accumulated depreciation					
At 1 April 2005	419	1,059	2,081	457	4,016
Charges for the year	70	16	198	–	284
At 31 March 2006 and 1 April 2006	489	1,075	2,279	457	4,300
Charges for the year	8	17	194	–	219
Write-back on disposals	–	–	(273)	–	(273)
At 31 March 2007	497	1,092	2,200	457	4,246
Carrying amounts					
At 31 March 2007	15	6	403	–	424
At 31 March 2006	–	23	387	–	410

As at 31 March 2007, the carrying amount of property, plant and equipment held under finance leases amounted to approximately HK$187,000 (2006: HK$188,000).

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19. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**63,795**	418
Due from subsidiaries	**29,478**	29,478
Due to subsidiaries	**(2,392)**	(842)
	90,881	29,054
Provision for impairment losses	**(29,626)**	(16,477)
	61,255	12,577

The following is a list of subsidiaries as at 31 March 2007:

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective equity interest attributable to the Company Directly	Effective equity interest attributable to the Company Indirectly	Principal activities
Cherry Oasis (Far East) Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
Cherry Oasis (Macau) Limited	Macau	50,000 ordinary shares of MOP$1 each	–	100%	Marketing service for gaming activities in Macau before October 2006, but ceased operation thereafter
Right Gateway Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Right Idea Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	70%	Sharing of profits of a casino junket representative
Magic Business Solutions Limited	Hong Kong	250,000 ordinary shares of HK$1 each	–	100%	Investment holding

19. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective equity interest attributable to the Company Directly	Indirectly	Principal activities
CyberM (Guangzhou) Information Technology Limited#	PRC	HK$1,750,000	–	100%	Trading of software and hardware equipment
CyberM Holdings Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Inactive
CyberM Information Technology Limited	Hong Kong	700,000 ordinary shares of HK$1 each	–	100%	Trading of software and hardware equipment
Magic Information Technology Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of software and hardware equipment
MagicPlus Solutions Limited	Hong Kong	750,000 ordinary shares of HK$1 each	–	60%	Lease of software licences, trading of hardware equipment and provision of consultancy services
Mcmanners Management Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	100%	–	Investment holding
Parkfield (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
SchoolPlus Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of software and hardware equipment
Shilesse (Changsha) Limited#	PRC	HK$350,000	–	60%	Inactive
Shilesse Management Consultant Limited	Hong Kong	10 ordinary shares of HK$1 each	–	60%	Investment holding
Unlimited Solutions Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Trading of software and hardware equipment

wholly-foreign-owned enterprise established in the PRC

Notes to the Financial Statements

31 March 2007

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities, at cost	**1,850**	1,850
Club debenture, at cost	**330**	330
Less: Provision for impairment losses	**(2,180)**	(2,180)
	–	–

21. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
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	**17**	72
	8,523	7,796

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.

22. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
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
	868	2,425

23. DEFERRED CONSIDERATION FOR ACQUISITION

The deferred consideration arose from the acquisition of Right Gateway, which is more fully described in note 31, made on deferred payment terms. The deferred payments are contingent on the future profits recorded by Right Gateway over a period of two years.

Maturity analysis of the deferred consideration is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**21,577**	–
Between two and five years	**13,300**	–
	34,877	–

24. BANK LOANS

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans, unsecured, repayable within one year	**–**	229

The interest rate on the unsecured bank loans was charged on the outstanding balance at prime rate plus 2% per annum.

Notes to the Financial Statements

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25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**162**	118	**144**	108
In the second to fifth years	**–**	59	**–**	54
	162	177	**144**	162
Future finance charges	**(18)**	(15)	**–**	–
Present value of lease obligations	**144**	162	**144**	162
Amount classified as current liabilities			**(144)**	(108)
Amount classified as non-current liabilities			**–**	54

It is the Group's policy to lease certain of its office equipment under finance leases. The average lease term is one to two years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 6 to 8%. These leases have no terms of renewal and escalation clauses. No arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

26. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

27. SHARE CAPITAL

	Number of shares		Amount	
	2007	2006	**2007**	2006
	'000	'000	**HK$'000**	HK$'000
Authorised				
Ordinary shares of HK$0.1 each	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid				
At beginning of year	**253,030**	250,060	**25,303**	25,006
Exercise of share options	**–**	2,970	**–**	297
Issue of shares as consideration for acquisition	**50,000**	–	**5,000**	–
At end of year	**303,030**	253,030	**30,303**	25,303

On 28 December 2006, the Company issued and allotted 50,000,000 ordinary shares credited as fully paid as part of the consideration for the acquisition of Right Gateway, which is more fully described in note 31.

During the year ended 31 March 2006, the Company issued and allotted 2,000,000 and 970,000 ordinary shares of HK$0.1 each of the Company for cash at HK$1.18 and HK$0.2 per share respectively as a result of the exercise of share options.

28. SHARE OPTIONS

(A) SHARE OPTION SCHEME ADOPTED ON 1 AUGUST 2000

Pursuant to the share option scheme (the "2000 Scheme") adopted by the Company on 1 August 2000, the Board were authorised to grant options to full-time employees of the Group including executive directors and chief executive of the Company to subscribe for shares in the Company. The options granted under the 2000 Scheme were exercisable from 4 September 2000 to 3 September 2010 at an exercise price of HK$1.18.

Movements in the number of options outstanding under the 2000 Scheme during the year are as follows:

	2007	2006
At 1 April	**–**	4,276,000
Exercised	**–**	(2,000,000)
Lapsed	**–**	(2,276,000)
At 3l March	**–**	–

Notes to the Financial Statements

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28. SHARE OPTIONS (Continued)

(A) SHARE OPTION SCHEME ADOPTED ON 1 AUGUST 2000 (Continued)

Noble Class Group Limited ("Noble Class"), the former controlling shareholder of the Company, entered into an option agreement with Wide Fine International Limited ("Wide Fine"), the present ultimate holding company of the Group whereby Noble Class granted Wide Fine the right to acquire up to 177,500,000 existing shares in the Company from Noble Class (the "Option"). From 25 July 2005 to 29 September 2005, Wide Fine exercised the Option in full to acquire shares of the Company and became the controlling shareholder of the Company.

In accordance with the conditions of the 2000 Scheme, the outstanding options issued under the 2000 Scheme lapsed on 29 March 2006, being 6 months from the change of control of the Company.

(B) SHARE OPTION SCHEME ADOPTED ON 18 AUGUST 2003

A new share option scheme (the "2003 Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 18 August 2003. Under the 2003 Scheme, the directors of the Company were authorised to grant options to the full-time employees of the Group including executive directors and chief executive to subscribe for shares of the Company. On 12 December 2003, 690,000 options and 1,332,000 options which were exercisable from 15 December 2003 to 13 June 2009 and from 14 June 2006 to 13 June 2009 respectively were granted under the 2003 Scheme at an exercise price of HK$0.2.

On 18 August 2003, the 2000 Scheme was terminated and replaced by the 2003 Scheme. Since then, no further option could be granted under the 2000 Scheme while all options granted prior to such termination continued to be valid and exercisable.

Movements in the number of options outstanding under the 2003 Scheme during the year are as follows:

	2007	2006
At 1 April	–	1,114,000
Exercised	–	(970,000)
Lapsed	–	(144,000)
At 3l March	–	–

Noble Class Group Limited ("Noble Class"), the former controlling shareholder of the Company, entered into an option agreement with Wide Fine International Limited ("Wide Fine"), the present ultimate holding company of the Group whereby Noble Class granted Wide Fine the right to acquire up to 177,500,000 existing shares in the Company from Noble Class (the "Option"). From 25 July 2005 to 29 September 2005, Wide Fine exercised the Option in full to acquire shares of the Company and became the controlling shareholder of the Company.

28. SHARE OPTIONS (Continued)

(B) SHARE OPTION SCHEME ADOPTED ON 18 AUGUST 2003 (Continued)

In accordance with the conditions of the 2003 Scheme, the outstanding options issued under the 2003 Scheme lapsed on 29 March 2006, being 6 months from the change of control of the Company.

(C) SHARE OPTION SCHEME ADOPTED ON 21 AUGUST 2006

A new share option scheme (the "2006 Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006. Under the 2006 Scheme, the directors of the Company are authorised to grant options to the participants of the Group including any employee, Director, adviser, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers to or of any member of the Group whom the Board considers in its sole discretion to subscribe for shares of the Company.

On 29 March 2006, the 2003 Scheme was terminated and replaced by the 2006 Scheme. Since then, no further option can be granted under the 2003 Scheme while all options granted prior to such termination continue to be valid and exercisable.

No option has been granted, exercised, cancelled or lapsed under the 2006 Scheme.

29. RESERVES

(A) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of the Company's shares issued in exchange thereof.

Notes to the Financial Statements

31 March 2007

29. RESERVES (Continued)

(B) COMPANY

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	5,613	(19,755)	(14,142)
Issue of shares at premium	2,257	–	2,257
Loss for the year	–	(1,874)	(1,874)
At 31 March 2006 and 1 April 2006	7,870	(21,629)	(13,759)
Issue of shares at premium	23,500	–	23,500
Loss for the year	–	(16,086)	(16,086)
At 31 March 2007	31,370	(37,715)	(6,345)

At 31 March 2006 and 2007, the Company had no distributable reserve.

30. DEFERRED TAXATION

As at 31 March 2007, deferred tax asset/(liabilities) have not been recognised in respect of the following temporary differences:

	Group	
	2007 HK$'000	2006 HK$'000
Tax losses	**3,668**	3,512
Decelerated/(Accelerated) tax depreciation	**41**	(37)
Provision for impairment of receivables	**270**	278
	3,979	3,753

Deferred tax assets have not been recognised in respect of the above temporary differences because it is uncertain that there would be sufficient future taxable profits to utilise the tax benefits from them.

31. BUSINESS COMBINATION

Pursuant to an agreement dated 27 July 2006 ("Acquisition Agreement"), on 28 December 2006 ("Completion Date"), the Group completed the acquisition of the entire issued share capital of Right Gateway Limited ("Right Gateway"). According to the Acquisition Agreement, the consideration for the acquisition comprised: (i) HK$30,000,000 in cash ("Cash Payment") subject to adjustment with reference to the quarterly profit of the subsidiary of Right Gateway and payable over a 24-month period; (ii) 50,000,000 shares of the Company credited as fully paid ("Consideration Shares"); and (iii) convertible notes ("Convertible Notes") in the aggregate principal amount of HK$145,200,000 subject to adjustment with reference to the quarterly profit of the subsidiary of Right Gateway. As part of the Acquisition Agreement, the Company also agreed to grant to the vendor a call option ("Call Option") for 50,000,000 shares of the Company at an exercise price of HK$0.99 per share.

Right Gateway's main asset comprises 70% equity interest in Right Idea Investments Limited ("Right Idea"), which in turn is a party to an agreement entitling Right Idea to share the profits generated by a junket representative from its marketing services for a VIP lounge of a casino in Macau.

Pursuant to the Acquisition Agreement, on the Completion Date, only the Consideration Shares were issued and allotted by the Company to the vendors, whilst the Cash Payment, the Convertible Notes and the Call Option have not yet been paid, released or granted so far.

The net assets acquired and the goodwill arising are as follows:

	Pre-acquisition carrying amount HK$'000	**Fair value adjustments** HK$'000	**Recognised values on acquisition** HK$'000
Other receivable	1	–	1
Net identifiable assets and liabilities	1	–	1
Goodwill on acquisition (note 17)			63,376
			63,377
Total consideration satisfied by:			
Shares of the Company			28,500
Deferred consideration (note 23)			34,877
			63,377

Notes to the Financial Statements

31 March 2007

31. BUSINESS COMBINATION (Continued)

The deferred consideration is contingent upon the future profit achieved by Right Gateway through Right Idea and to be settled by the Convertible Notes and the Cash Payment. Pursuant to the Acquisition Agreement, the values of the Convertible Notes and the Cash Payment to be released at each quarter end over a period of 2 years from the Completion Date are subject to adjustment as follows:

Quarterly profit of Right Idea	Adjustment to be made to the Convertible Notes	Adjustment to be made to the Cash Payment
If the relevant quarterly profit is less than HK$11,250,000 ("Guaranteed Profit")	For every HK$1 shortfall from the Guaranteed Profit, the face value of the Convertible Note to be released for that quarter shall be reduced by HK$1.61.	For every HK$1 shortfall from the Guaranteed Profit, the amount of the Cash Payment to be released for that quarter shall be reduced by HK$0.333.
If the relevant quarterly profit is more than the Guaranteed Profit	For every HK$1 excess over the Guaranteed Profit, the face value of the Convertible Note to be released shall be accelerated by HK$1.61, provided that the aggregate face value of all Convertible Notes shall not exceed HK$145,200,000.	For every HK$1 excess over the Guaranteed Profit, the amount of the Cash Payment to be released shall be accelerated by HK$0.333, provided that the aggregate amount of all Cash Payment shall not exceed HK$30,000,000.

Goodwill arose in the acquisition of Right Gateway because the consideration amount included premium paid for the expected revenue growth and future market development of the blooming gaming activities in Macau.

Right Gateway contributed HK$5,765,000 and HK$5,765,000 to the Group's consolidated revenue and consolidated profit attributable to equity holders of the parent for the period from the date of acquisition to the balance sheet date.

If the acquisition of Right Gateway had been completed on 1 April 2006, there would be no material changes to the Group's consolidated revenue and consolidated profit for the year.

32. NON-CASH TRANSACTIONS

During the year, the Company issued and allotted 50,000,000 shares credited as fully paid as part of the consideration for the acquisition of Right Gateway as more fully described in note 31.

During the year, the Group acquired plant and equipment of approximately HK$121,000 (2006: HK$216,000) under finance leases.

33. 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
	HK$'000	HK$'000
Within one year	**781**	1,879
In the second to fifth years inclusive	**–**	1,141
	781	3,020

34. POST BALANCE SHEET EVENTS

(A) PROPOSED RIGHTS ISSUE AND BONUS ISSUE

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 held on 3 August 2007 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. In connection with the proposed rights issue, the Company also proposed a bonus issue of one bonus share for every rights share. The proposed rights issue and bonus issue are conditional upon, among others, the approval of the Company's shareholders at a special general meeting to be held on 3 August 2007.

Details of the proposed rights issue and bonus issue are given in the Company's announcement dated 4 June 2007 and circular dated 28 June 2007.

Notes to the Financial Statements

31 March 2007

34. POST BALANCE SHEET EVENTS (Continued)

(B) SUPPLEMENTAL AGREEMENT TO THE ACQUISITION OF RIGHT GATEWAY

On 21 May 2007, the Company and the vendors entered into a conditional supplemental agreement ("Supplemental Agreement") whereby the consideration for the acquisition of Right Gateway as discussed in note 31 would be reduced and would comprise only 50,000,000 Consideration Shares (that were already issued and allotted and credited as fully paid on 28 December 2006) and HK$34,877,000 in cash. Pursuant to the Supplemental Agreement, the vendors also agreed to cancel the agreement to grant Call Option. The Supplemental Agreement is conditional upon: (i) the approval by the Company's independent shareholders (being shareholders of the Company save for its parent and ultimate holding company, Wide Fine International Limited, the vendors and their associates) at the special general meeting to be held on 3 August 2007; and (ii) the proposed rights issue as discussed in paragraph (A) above becoming unconditional.

The transaction contemplated under the Supplemental Agreement constitutes a connected and major transaction under the GEM Rules. In this connection, the Company has established the Independent Board Committee comprising the three Independent Non-executive Directors and appointed an independent financial adviser. The Independent Board Committee having taking into account the advice of the independent financial adviser considers that the terms of the Supplemental Agreement are not in the interests of the Company and its shareholders as a whole and, therefore, recommends the independent shareholders of the Company to vote against the resolution for the approval of the Supplemental Agreement. As a result, no adjustment has been made to these financial statements to reflect the proposed changes to the terms for the deferred consideration for the acquisition of Right Gateway and therefore the deferred consideration has been measured and classified into current and non-current liabilities according to the original terms of the Acquisition Agreement, which are described in note 31.

Details of the Supplemental Agreement are given in the Company's announcement dated 4 June 2007 and circular dated 28 June 2007.

35. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT COMPENSATION

The Company considers that all members of key management consist of the directors of the Company.

Details of the compensation of directors of the Company during the year are included in note 15 to the financial statements.

The compensation of directors of the Company are determined by the Remuneration Committee of the Board having regard to the performance of individuals and market trends.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables. Details of these financial instruments are disclosed in their respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

A) CREDIT RISK

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables. The Group's bank deposits are placed with banks of high credit ratings such that the risk of bank failure is minimised. The management continuously evaluates the credit worthiness of each customer and these credit risks are closely monitored on an ongoing basis. At each balance sheet date, the Group reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable amounts. Normally the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

B) LIQUIDITY RISK

The management regularly monitors current and expected liquidity requirements and its compliance with lending covenants, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

C) CASH FLOW INTEREST RATE RISK

At the balance sheet date, as the Group had no significant interest-bearing assets or borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

37. PARENT AND ULTIMATE HOLDING COMPANY

The directors regard Wide Fine International Limited, a company incorporated in Hong Kong, as the parent and the ultimate holding company of the Group.

38. 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.

39. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 29 June 2007.

Five-year Financial Summary

for the year ended 31 March 2007

RESULTS

	For the year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**35,432**	47,498	24,160	14,674	13,701
(Loss)/Profit attributable to shareholder	**(4,262)**	2,849	(2,414)	(9,729)	(2,584)

ASSETS AND LIABILITIES

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**74,305**	16,522	13,088	14,061	17,552
Total liabilities	**(44,646)**	(11,084)	(13,044)	(11,573)	(5,088)
Minority interests	**(1,730)**	–	–	–	(233)
Net assets	**27,929**	5,438	44	2,488	12,231