

INTERIM
REPORT **2007**



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

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

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

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

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

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

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

This report, for which the directors of Long Success International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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.

HIGHLIGHTS

- Turnover from the continuing operations and discontinued operation of the Group for the six months ended 30 September 2007 was approximately HK\$13,959,000, as compared to HK\$21,559,000 for the corresponding period in 2006.
- Net loss attributable to shareholders for the six months ended 30 September 2007 was approximately HK\$3,734,000 as compare to the net profit attributable to shareholders of HK\$2,144,000 for the corresponding period in 2006.
- Loss per share from the continuing operations and discontinued operation for the Group was approximately HK\$0.90 cents for the six months ended 30 September 2007 as compared to earnings per share of HK\$0.85 cents in the corresponding period in 2006.
- The Directors do not declare any interim dividend for the six months ended 30 September 2007.

INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months and three months ended 30 September 2007 together with the comparatives for the corresponding periods in 2006 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	Unaudited			
		Six months ended		Three months ended	
		30 September		30 September	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Revenue	4	13,959	10,713	6,171	5,252
Other income		40	14	16	-
Raw materials and consumables used		(2,652)	(1,935)	(253)	(550)
Staff costs		(9,796)	(6,545)	(6,266)	(3,249)
Depreciation of property, plant and equipment		(86)	(114)	(41)	(49)
Impairment loss on trade receivables		(542)	-	(542)	-
Other operating expenses		(3,374)	(2,539)	(2,278)	(1,462)
Operating loss		(2,451)	(406)	(3,193)	(58)
Finance costs		(229)	(11)	(90)	(4)
Loss before tax		(2,680)	(417)	(3,283)	(62)
Income tax expense	5	-	-	-	-
Loss for the period from continuing operations		(2,680)	(417)	(3,283)	(62)
Discontinued operation					
Profit for the period from discontinued operation		-	2,561	-	453
(Loss)/ Profit for the period		(2,680)	2,144	(3,283)	391

		Unaudited			
		Six months ended		Three months ended	
		30 September		30 September	
		2007	2006	2007	2006
<i>Notes</i>		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Attributable to:				
	Equity holders of the parent	(3,734)	2,144	(3,781)	391
	Minority interest	1,054	-	498	-
		(2,680)	2,144	(3,283)	391
	(Loss)/ Earnings per share				
	Basic (HK cents per share)				
	- From continuing and discontinued operations	(0.90)	0.85	(0.72)	0.15
	- From continuing operations	(0.90)	(0.16)	(0.72)	(0.02)
	Diluted (HK cents per share)				
	- From continuing and discontinued operations	N/A	N/A	N/A	N/A
	- From continuing operations	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		480	424
Goodwill		63,376	63,376
Total non-current assets		63,856	63,800
CURRENT ASSETS			
Trade receivables	8	12,270	8,523
Prepayments, deposits and other receivables		1,574	712
Cash and bank balances		3,028	1,277
Total current assets		16,872	10,512
CURRENT LIABILITIES			
Trade payables	9	2,264	868
Accruals and other payables		4,510	4,294
Deferred consideration for acquisition	11	-	21,577
Receipts in advance		1,827	2,230
Current portion of obligations under finance leases		72	144
Amount due to directors		1,076	-
Amount due to ultimate holding company		984	1,407
Provision for taxation		844	833
Other loan	10	1,200	-
Total current liabilities		12,777	31,353
Net current assets/ (liabilities)		4,095	(20,841)
Total assets less current liabilities		67,951	42,959
NON-CURRENT LIABILITIES			
Deferred consideration for acquisition	11	-	13,300
Payable for acquisition	11	4,877	-
Total non-current liabilities		4,877	13,300
Net assets		63,074	29,659
CAPITAL AND RESERVES			
Share capital	12	90,909	30,303
Reserves		(30,619)	(2,374)
Equity attributable to equity holders of the parent		60,290	27,929
Minority interests		2,784	1,730
Total equity		63,074	29,659

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2006*

	Unaudited								
	Attributable to equity holders of the parent							Minority Interest	Total
	Share capital	Share premium	Merge reserve	Exchange reserve	Accumulated loss	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2006	25,303	7,870	(341)	(68)	(27,326)	5,438	-	5,438	
Profit for the period	-	-	-	-	2,144	2,144	-	2,144	
At 30 September 2006	<u>25,303</u>	<u>7,870</u>	<u>(341)</u>	<u>(68)</u>	<u>(25,183)</u>	<u>7,582</u>	<u>-</u>	<u>7,582</u>	

For the six months ended 30 September 2007

	Unaudited								
	Attributable to equity holders of the parent							Minority Interest	Total
	Share capital	Share premium	Merge reserve	Exchange reserve	Accumulated loss	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2007	30,303	31,370	(341)	(85)	(33,318)	27,929	1,730	29,659	
Loss for the period	-	-	-	-	(3,734)	(3,734)	1,054	(280)	
Rights issue	30,303	9,091	-	-	-	39,394	-	39,394	
Share issue expenses	-	(3,325)	-	-	-	(3,325)	-	(3,325)	
Issue of bonus shares	30,303	(30,303)	-	-	-	-	-	-	
Exchange differences arising on translation of foreign operations	-	-	-	26	-	26	-	26	
At 30 September 2007	<u>90,909</u>	<u>6,833</u>	<u>(341)</u>	<u>(59)</u>	<u>(37,052)</u>	<u>(60,290)</u>	<u>2,784</u>	<u>63,074</u>	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September	
	2007	2007
	HK\$'000	HK\$'000
Net cash (used in)/ generated from operating activities	(35,330)	6,338
Net cash used in investing activities	(142)	(149)
Net cash generated from/(used in) financing activities	37,197	(277)
Net increase in cash and cash equivalents	1,725	5,912
Cash and cash equivalents at the beginning of year	1,277	6,885
Effect of foreign exchange rate changes	26	-
Cash and cash equivalents at the end of year	3,028	12,797
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	3,028	12,797

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA")

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2007.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, 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 the Group and effective for accounting periods beginning on or after 1 April 2007. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not early adopted the new HKFRSs, that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new HKFRSs will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group is organized into four major business segments: (i) sales of customized software and related computer equipment; (ii) provision of technical support and maintenance services; (iii) marketing, rolling and settlement services for gambling activities; and (iv) sharing of profits of a junket representative of a VIP lounge of a casino in Macau. An analysis of the Group's turnover and segment profit/(loss) by business segments is as follows:

	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30 September 2007		30 September 2006	
	Segment		Segment	
	Turnover	Profit/(Loss)	Turnover	Profit/(Loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Sales of customized software and related computer equipment	7,179	3,523	8,844	7,223
Technical support and maintenance services income	3,747	461	1,869	1,555
Profits assigned from a junket representative of a VIP lounge of a casino in Macau	3,033	3,033	-	-
	13,959	7,017	10,713	8,778
Discontinued operations				
Marketing, rolling and settlement services for a VIP lounge of a casino in Macau	-	-	10,846	2,561
	13,959	7,017	21,559	11,339
Unallocated corporate income		-		14
Finance costs		(229)		(11)
Other unallocated corporate expense		(9,468)		(9,198)
(Loss)/Profit for the period		(2,680)		2,144

	Unaudited Six months ended 30 September 2007 Turnover HK\$'000	Unaudited Six months ended 30 September 2006 Turnover HK\$'000
Segment turnover		
Hong Kong	8,925	9,953
Macau	3,033	10,846
The PRC	2,001	760
	13,959	21,559

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the accounts as the Group could utilize the tax loss carried forward for the assessable profit arising in Hong Kong for the six months ended 30 September 2007.

Overseas taxes on profits assessable of the Group if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operates, bases on the prevailing legislation, interpretations and practices in respect thereof.

6. (LOSS) / EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic 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 six months ended 30 September 2007 of approximately HK\$3,734,000 (2006: profit of approximately HK\$2,144,000) and on the weighted average number of 415,631,000 (2006: 253,030,000) ordinary shares in issue during the period.

From 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:

	Unaudited			
	Six months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/ Profit for the year attributable to equity holders of the parent	(3,734)	2,144	(3,781)	391
Less: Profit for the period from discontinued operation	-	2,561	-	453
Loss for the purposes of basic loss per share from continuing operations	(3,734)	(417)	(3,781)	(62)
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares	415,631	253,030	527,009	253,030

From discontinued operation

Basic earnings per share from the discontinued operation was nil (2006: HK1.01 cent per share), based on the profit from discontinued operation of nil (2006: approximately HK\$2,561,000) and on the weighted average number of 415,631,000 (2006: 253,030,000) ordinary shares in issue for the six months ended 30 September 2007.

Diluted earnings per share

Diluted earnings per share is not presented for the six months and the three months ended 30 September 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 six months and the three months ended 30 September 2006 as the outstanding share options of the Company had anti-dilutive effects on the basis loss per share.

7. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the half-yearly period (2006: Nil).

8. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Within three months	3,322	7,745
Over three months but within six months	1,870	536
Over six months but within one year	6,056	225
Over one year	1,022	17
	<u>12,270</u>	<u>8,523</u>

The Group normally grants to its customers credit periods for sales of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customized software, sales of related computer equipment, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. The Group generally granted credit period of 6 months to the junket representative of a VIP lounge of a casino in Macau.

9. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Within three months	433	126
Over three months but within six months	-	-
Over six months but within one year	-	-
Over one year	1,831	742
	<u>2,264</u>	<u>868</u>

10. OTHER LOAN

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Repayable within one year	<u>1,200</u>	<u>-</u>

The other loan bears interest at 36% per annum and is secured by a personal guarantee given by the director of the Company.

11. DEFERRED CONSIDERATION/ PAYABLE FOR ACQUISITION

The deferred consideration originally arose from the acquisition of Right Gateway Limited pursuant to an agreement dated 27 July 2006 ("Acquisition Agreement"), as disclosed in the Company's circular dated 31 October 2006, and was contingent upon the future profit to be achieved by Right Gateway Limited through Right Idea Investments Limited and to be settled by convertible notes and cash payment.

On 21 May 2007, the Company together with Mr. Sin Tim Iao and Ms. Chen Anfeng (the "Vendors") and Man Pou Gambling Promotion Company Limited entered into a supplemental agreement ("Supplemental Agreement") in relation to the Acquisition Agreement, which was approved by the independent shareholders of Company at a general meeting held on 3 August 2007.

Pursuant to the Supplemental Agreement, (1) the initial consideration payable under the Acquisition Agreement was reduced to HK\$89,877,000 from HK\$230,200,000, of which HK\$55,000,000 had already been satisfied by the allotment and issue of 50,000,000 shares of the Company at HK\$1.1 each to the Vendors on 28 December 2006 at the completion of the Acquisition Agreement; and (2) the balance of the revised consideration amounting to HK\$34,877,000 shall be payable in cash by two installments, of which HK\$30,000,000 was already paid during the three-month period ended 30 September 2007 whilst the remaining HK\$4,877,000 is payable on or before 3 August 2009 (i.e. two years from the date the Supplemental Agreement became effective and unconditional).

Furthermore, according to the Supplemental Agreement, the adjustment mechanism in relation to the initial consideration amount provided for in the Acquisition Agreement, the quarterly profit guarantee and the grant of call option have all been cancelled.

12. SHARE CAPITAL

	Number of shares		Amount	
	Six months ended		Six months ended	
	30 September		30 September	
	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 period	303,030	253,030	30,303	25,303
Rights issue	303,030	-	30,303	-
Issue of bonus shares	303,030	-	30,303	-
At end of period	909,090	253,030	90,909	25,303

During the period, the Company issued 303,030,000 new ordinary shares ("Rights Shares") by way of rights issue on the basis of one Rights Share for every existing share held on 3 August 2007 at the subscription price of HK\$0.13 per Rights Share. In conjunction with the issue of the Rights Shares, the registered holders of fully paid Rights Shares were issued one bonus share for every Rights Share successfully subscribed.

13. POST BALANCE SHEET EVENTS

(a) *Capital transactions*

As disclosed in the Company's announcement dated 7 November 2007, the board of directors of the Company (the "Board") proposes the following:

i. Capital reorganisation ("Capital Reorganisation")

The Board proposes that the nominal value of each issued existing share of the Company be reduced from HK\$0.10 to HK\$0.01 and each unissued existing share of HK\$0.10 in the authorised share capital of the Company be subdivided into 10 adjusted shares of HK\$0.01 each, subject to the approval of the shareholders of the Company at a special general meeting to be held.

ii. Bonus warrant issue

The Board also proposes a conditional bonus warrant issue to the shareholders whose names appear on the register of members of the Company on 20 December 2007 ("Record Date") on the basis of two warrants for every ten existing shares held on the Record Date, subject to the approval of the shareholders of the Company at a special general meeting to be held for granting a specific mandate to the directors for the issue and allotment of shares of the Company and the Capital Reorganisation becoming effective.

iii. Open offer and bonus share issue

The Board further proposes to raise approximately HK\$99,999,900 before expenses by way of an open offer ("Open Offer") of 909,090,000 new shares ("Offer Shares") at a price of HK\$0.11 per Offer Share on the basis of one Offer Share for every existing share held on the Record Date. In conjunction with the issue of the Offer Shares, the registered holders of fully-paid Offer Shares will be issued one Bonus Share for every Offer Share successfully subscribed by the qualifying shareholders.

(b) *Investment in a joint venture*

On 29 October 2007, Cherry Oasis (Far East) Limited ("Cherry Oasis"), a wholly owned subsidiary of the Company, and two independent third parties entered into an agreement ("Subscription Agreement") whereby Cherry Oasis has agreed to subscribe for 90% interest in a joint venture company for a consideration of HK\$49,500,000. The joint venture company was incorporated under the laws of Hong Kong but has not yet commenced business. The joint venture company intends to engage in money lending business in Hong Kong and will apply for a money lenders license under the Money Lenders Ordinance of Hong Kong. The Subscription Agreement is conditional upon, among others, the completion of the Open Offer and the money lenders license being granted to the joint venture company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, turnover of the Group was approximately HK\$13.96 million, recorded a decrease of 35.3% as compared to last year (2006: HK\$21.56 million). Loss attributable to shareholders was HK\$3.73 million (2006: Profit of HK\$2.14 million). The decrease in turnover and profit is mainly due to the termination of provision of marketing, rolling and settlement services for a VIP lounge in a casino in Macau. Having taken into account of the increasing competition in the Macau gaming market, the board of directors of the Company (the "Board") has made a strategic decision to terminate the marketing agreement for the provision of rolling and settlement services in the Emperor VIP Club at the Galaxy Casino at the Waldo Hotel in Macau in order to reallocate and centralize resources in developing high profit customers in the Jun Ying VIP Club at the Waldo Casino at the Grand Waldo Hotel in Macau. The management believes that the performance of the Jun Ying VIP Club will improve and contribute to the turnover and profit of the Group in the coming future.

(A) Revised consideration for the acquisition of Right Gateway Limited ("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 Investment Limited ("Right Idea"), a company which 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 at the Waldo Casino at the Grand Waldo Hotel together with any other performance bonus received, if any, by Man Pou.

The Circular 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.

Referring to the announcement and circular dated 4 June 2007 and 28 June 2007 respectively, a supplemental agreement was signed on 21 May 2007 to revise the consideration for the acquisition of the entire issued share capital of Right Gateway from HK\$230,200,000 to HK\$89,877,000 ("Revised Consideration") due to the disappointing performance of Man Pou for the period from 1 January 2007 to 31 March 2007. The amendment on consideration constituted a major transaction for the Company under the GEM Listing Rules and was approved by the independent shareholders in the special general meeting ("SGM") on 3 August 2007. Part payment of the Revised Consideration in the sum of HK\$30 million was paid from the net proceeds from the rights issue described below.

(B) Rights issue and bonus shares issue

Referring to the announcement and circular dated 4 June 2007 and 28 June 2007 respectively, the Board proposed a rights issue and a bonus share issue (see details below) and the shareholders, at the SGM, approved the Company 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 ("Rights Issue"), and a bonus shares issue of one bonus share for every rights share ("Bonus Share Issue"). The Rights Issue was fully underwritten by Sun Hung Kai International Limited pursuant to the terms and conditions of the underwriting agreement dated 23 May 2007. Details of the Rights Issue and Bonus Shares Issue were set out in the Company's announcement dated 4 June 2007, circular dated 28 June 2007 and prospectus dated 6 August 2007. On 23 August 2007, the Rights Issue became unconditional and was approximately 487% oversubscribed.

(C) Capital reorganization, bonus warrant issue, open offer and bonus share issue and discloseable transaction

Referring to the announcement dated 7 November 2007 ("Announcement"), the Board proposed to,

Capital reorganization

reduce the nominal value of each of the issued existing ordinary share(s) of HK\$0.1 each in the capital of the Company ("Existing Share") to HK\$0.01 by canceling the paid-up capital to the extent of HK\$0.09 per issued Existing Share and the credit arising therefrom will be transferred to the contributed surplus account of the Company and an authorization from the shareholders will be sought, apply such credit against the accumulated losses of the Company upon such transfer. Details of the capital reorganization were given in the Announcement;

Bonus warrant issue

make the bonus warrant issue to the shareholders whose names appear on the register of members of the Company on the record date on the basis of two warrants for every ten Existing Shares held. The exercise price of the bonus warrant is HK\$0.055. Details of the bonus warrant issue were given in the Announcement;

Open offer and bonus share issue

raise approximately HK\$99.9 million before expenses by way of an open offer of 909,909,000 new shares ("Offer Share") at a price of HK\$0.11 per Offer Share on the basis of one Offer Share for every Existing Share held on the record date ("Open Offer"). In conjunction with the Open Offer, the registered holders of fully-paid Offer Shares will be issued one bonus share for every Offer Share successfully subscribed by the shareholders. Details of the Open Offer and bonus share issue were given in the Announcement; and

Discloseable transaction

on 29 October 2007, Cherry Oasis (Far East) Limited ("Cherry Oasis"), a wholly owned subsidiary of the Company, has entered into an agreement with two independent third parties of which the Company agreed to subscribe for 49,500,000 shares of HK\$1 each of Success Finance Limited ("Joint Venture") at a consideration of HK\$49.5 million. After the completion of the subscription, Cherry Oasis will hold 90% of the total issued share capital of the Joint Venture. The Joint Venture is a company incorporated in Hong Kong with limited liability and is currently applying for a money lenders license under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Upon completion of subscription, the Joint Venture will target to provide money lending services to companies whose businesses are in the provision of entertainment and marketing services in Asia and gaming services in Macau by targeting at intermediates working in the gaming area in Macau who are licensed for lending monies to the players. The payment of the Company for the subscription for shares of the Joint Venture will be settled by the net proceeds from the Open Offer. The subscription shares of the Joint Venture constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Details of the discloseable transaction were given in the Announcement.

The above capital reorganization, bonus warrant issue, open offer and bonus share issue and discloseable transaction are subject to shareholders' approval at the special general meeting expected to be held on 4 January 2008.

PROSPECT

During the period under review, our gaming and entertainment businesses in Macau has faced keen competition arising from growing number of new casinos and VIP gaming tables and the measures adopted by the Guangdong government to tighten the individual visits to Macau under the individual visit scheme, which drives down the net win for each of the 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. In particular, the management considers that the injection of capital in the money lending business will enhance the business of the Group in the future. The management will continue to seek investment opportunities in the South East Asia that are beneficial to the shareholders with the aim to boost the Group's gaming revenues.

CAPITAL RESOURCES AND LIQUIDITY

Cash and bank balances as at 30 September 2007 were approximately HK\$3,028,000, compared to approximately HK\$1,277,000 as at 31 March 2007. As at 30 September 2007, the Group's liability was approximately HK\$17,654,000, compared to approximately HK\$44,653,000 as at 31 March 2007. The Group's gearing ratio was 3.4%, based on the total of other loan, obligations under finance lease and amount due to ultimate holding company over the equity attributable to equity holders of the Company. Liabilities will be generally financed by internal resources of the Group and the proposed Open Offer.

CHARGE OF GROUP'S ASSETS

As at 30 September 2007, none of the Group's assets has been pledged (2006: Nil).

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 September 2007, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2007, the Group had approximately 46 (2006:44) employees in Hong Kong and the Mainland China. The total remuneration to employees, including the executive Directors for the period under review amount to approximately HK\$9.80 million (2006: HK\$6.55 million). Employees in Hong Kong are also 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.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006. Under the Scheme, the Board is authorized 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. During the period, no option has been granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS

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

Executive directors

Mr. Wong Kam Leong

Mr. Hui Siu Lun

Mr. Lai Cho Wai

Mr. Ma Chon

(Appointed on 14 September 2007)

(Resigned on 29 August 2007)

(Resigned on 25 October 2007)

Independent non-executive directors

Mr. Ng Kwok Chu, Winfield

Mr. Ng Chau Tung, Robert

Mr. Leung Kar Loon, Stanley

Mr. Leong Meng Wa

(Appointed on 14 September 2007)

(Resigned on 29 August 2007)

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

As at 30 September 2007, the following directors and chief executive of the Company had or were deemed to have interests in the equity shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to Part XV of the SFO or otherwise notified to the Company pursuant to the minimum standards of dealings by the directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules:

Name of Directors	Type of Interest	Number of ordinary shares in the Company	Percentage of shareholdings (%)
Wong Kam Leong	Corporate interest (Note 1)	307,500,000	33.83%
Lai Cho Wai	Personal interest (Note 2)	46,000,000	5.06%

Notes:

- As at 30 September 2007, 307,500,000 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.
- As at 30 September 2007, Mr. Lai Cho Wai is the beneficial owner of 46,000,000 shares in the Company.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Company's 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 executive (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 executive or their associates had any interests 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 period ended 30 September 2007.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 September 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 executive.

Name	Number of shares held	Percentage of shareholdings (%)
Wide Fine International Limited (<i>Note 3</i>)	307,500,000	33.83%
Lai Pak Leng (<i>Note 4</i>)	69,000,000	7.59%
Lai Cho Wai (<i>Note 5</i>)	46,000,000	5.06%

Notes:

- As at 30 September 2007, Wide Fine is the beneficial owner of 307,500,000 shares.
- As at 30 September 2007, Lai Pak Leng is the beneficial owner of 69,000,000 shares.
- As at 30 September 2007, Lai Cho Wai is the beneficial owner of 46,000,000 shares.

Save as disclosed above, no other person was recorded in the register pursuant to Part XV of the SFO as having an interest being 5 per cent or more of the issued share capital of the Company as at 30 September 2007.

COMPETING INTERESTS

As at 30 September 2007, the directors were not aware of any business or interest of each director, management shareholder and the respective associates of which 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.

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period, except as disclosed in the Annual Report for the year ended 31 March 2007 that Mr. Wong Kam Leong is both the Chairman and chief executive director of the Company.

AUDIT COMMITTEE

In compliance with Rule 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising of independent non-executive directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Leung Kar Loon, Stanley. The Group's unaudited results for the six months ended 30 September 2007 was reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with applicable accounting standards, the Exchange and legal requirements and that adequate disclosures had been made.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the six months ended 30 September 2007, the Company has complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures. None of the independent non-executive directors have been paid any fees or other reimbursements or emoluments during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 September 2007, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

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 code of conduct and the required standard of dealings throughout the period under review.

On behalf of the Board
Wong Kam Leong
Chairman

14 November 2007, Hong Kong

As at the date hereof, the executive Directors are Mr. Wong Kam Leong and Mr. Hui Sui Lun; and the independent non-executive Directors are Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Leung Kar Loon, Stanley.