



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百齡國際(控股)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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.

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

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

* For identification purpose only

SUMMARY

- Turnover from the continuing operations and discontinued operation was HK\$25.42 million, representing a decrease of 28% when compared to the 2007 figures. For the continuing operations, the gaming and entertainment sector and IT sector recorded 9% and 5% increase in turnover respectively.
- Loss attributable to shareholders was HK\$43.71 million compared to a loss of HK\$5.99 million in 2007. The Group recorded a higher net loss attributable to the shareholders is mainly due to the impairment of goodwill arising from the acquisition of Right Gateway Limited (“Right Gateway”) in December 2006 and the cost associated with equity-settled share options. Disregarding these items, the Group recorded a loss attributable to shareholders of HK\$9.45 million.
- The Directors do not declare any dividend for the year ended 31 March 2008.

ANNUAL RESULTS

The audited consolidated results of Long Success International (Holdings) Limited and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2008 together with the comparatives for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations			
Revenue	4	25,424	23,735
Other income	4	749	1,127
Raw materials and consumables used		(7,119)	(3,240)
Staff costs		(17,671)	(13,724)
Depreciation of property, plant and equipments		(241)	(211)
Impairment loss on goodwill		(33,376)	–
Impairment loss on trade receivables		(671)	(945)
Other expenses		(8,300)	(5,462)
Finance costs	5	(619)	(21)
		<hr/>	<hr/>
(Loss)/Profit before tax		(41,824)	1,259
Income tax expense	6	–	–
		<hr/>	<hr/>
(Loss)/Profit for the year from continuing operations		(41,824)	1,259
Discontinued operation			
Loss for the year from discontinued operation	7	–	(5,521)
		<hr/>	<hr/>
Loss for the year	8	(41,824)	(4,262)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the parent		(43,710)	(5,992)
Minority interests		1,886	1,730
		<hr/>	<hr/>
		(41,824)	(4,262)
		<hr/>	<hr/>
(Loss)/Earnings per share attributable to ordinary equity holders of the parent			
	10		
For continuing and discontinued operations			
Basic and diluted (HK cents per share)		(2.10)	(0.66)
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For continuing operation			
Basic and diluted (HK cents per share)		(2.10)	(0.05)
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CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Non-current assets					
Intangible assets		-	-	-	-
Goodwill		30,000	63,376	-	-
Property, plant and equipment		667	424	-	-
Interests in subsidiaries		-	-	80,532	61,255
Available-for-sale financial assets		180	-	-	-
Total non-current assets		<u>30,847</u>	<u>63,800</u>	<u>80,532</u>	<u>61,255</u>
Current assets					
Trade receivables	11	10,631	8,523	-	-
Loans receivable		8,727	-	-	-
Prepayments, deposits and other receivables		1,663	712	130	-
Available-for-sale financial assets		59,000	-	27,000	-
Cash and cash equivalents		19,189	1,277	130	-
Total current assets		<u>99,210</u>	<u>10,512</u>	<u>27,260</u>	<u>-</u>
Current liabilities					
Trade payables	12	3,497	868	-	-
Accruals and other payables		3,862	4,294	1,167	2,155
Deferred consideration for acquisition		-	21,577	-	21,577
Receipts in advance		771	2,230	-	-
Current portion of obligations under finance lease		35	144	-	-
Amount due to ultimate holding company		-	1,407	-	265
Provision for taxation		833	833	-	-
Total current liabilities		<u>8,998</u>	<u>31,353</u>	<u>1,167</u>	<u>23,997</u>
Net current assets/(liabilities)		<u>90,212</u>	<u>(20,841)</u>	<u>26,093</u>	<u>(23,997)</u>
Total assets less current liabilities		<u>121,059</u>	<u>42,959</u>	<u>106,625</u>	<u>37,258</u>
Non-current liabilities					
Deferred consideration for acquisition		-	13,300	-	13,300
Total non-current liabilities		<u>-</u>	<u>13,300</u>	<u>-</u>	<u>13,300</u>
NET ASSETS		<u>121,059</u>	<u>29,659</u>	<u>106,625</u>	<u>23,958</u>

	<i>Note</i>	Group		Company	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital and reserves					
Share capital		27,273	30,303	27,273	30,303
Reserves		84,669	(2,374)	79,352	(6,345)
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Equity attributable to equity holders of the parent		111,942	27,929	106,625	23,958
Minority interests		9,117	1,730	–	–
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TOTAL EQUITY		121,059	29,659	106,625	23,958
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NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

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 Unit 910, China Merchants 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 the following activities:

- (i) Sales of customised software and related computer equipment;
- (ii) Provision of technical support and maintenance services;
- (iii) Sharing of profits of a junket representative of a VIP lounge in a casino in Macau; and
- (iv) Money lending business.

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, accounting principles generally accepted in Hong Kong and and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM 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.

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 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. However, as result of the adoption of HKFRS 7, “Financial Instruments: Disclosures” and HKAS 1 Amendment, “Capital Disclosures”, there have been some additional disclosures provided.

HKFRS 7 has required expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments.

HKAS 1 Amendment has introduced additional disclosure requirements to provide qualitative information about the Group’s objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequence of any non-compliance.

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 (Revised)	Presentation of Financial Statements	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidation and Separate Financial Statements	1 July 2009
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 January 2008
HK(IFRIC) – Int 14	HKAS 19 – The Limit on A Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the Group's turnover and comprised:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue		
Continuing operations		
Sales of customised software and related computer equipment	15,757	14,919
Technical support and maintenance service income	3,176	3,051
Profits assigned from a junket representative of a casino VIP lounge in Macau	6,277	5,765
Interest income from money lending business	214	–
	<u>25,424</u>	<u>23,735</u>
Discontinued operation		
Income from marketing, rolling and settlement services for a casino VIP lounge in Macau	–	11,697
	<u>25,424</u>	<u>35,432</u>
Other income – continuing operations		
Gain on disposal of property, plant and equipment	41	–
Interest income	279	16
Sundry income	57	99
Write-back of provision for impairment of trade receivable	372	945
Other service income	–	67
	<u>749</u>	<u>1,127</u>

Primary reporting format – business segments

The Group is organised into the following major business segments:

- (i) Sales of customised software and related computer equipment;
- (ii) Provision of technical support and maintenance services;
- (iii) Sharing of profits of a junket representative of a VIP lounge in a casino in Macau, being 0.4% of the rolling turnover generated by that junket representative together with any bonus payable by that casino and/or that VIP lounge to that junket representative; and
- (iv) Money lending business.

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

	2008					Discontinued	Consolidated
	Continuing operations				Total	operation	
	Customized software and related computer equipment	Technical support and maintenance	Sharing of profits of a Macau casino junket representative	Money lending business		Marketing service for gaming activities in Macau	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	15,757	3,176	6,277	214	25,424	-	25,424
Segment results	(2,841)	1,527	(28,992)*	(115)	(30,421)	-	(30,421)
Other income							749
Unallocated corporate expenses							(11,533)
Finance costs							(619)
Loss before tax							(41,824)
Income tax expense							-
Loss for the year							(41,824)
Segment assets	5,375	138	70,519	54,025	130,057	-	130,057
Segment liabilities	6,513	366	1,286	-	8,165	833	8,998
Other information							
Depreciation and amortization	133	28	74	6	241	-	241
Capital expenditure	1	4	159	320	484	-	484

* The segment results regarding the sharing of profits of a Macau casino junket representative is stated net of the impairment loss of HK\$33,376,000 on goodwill allocated to this segment.

2007

	Continuing operations				Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Customized software and related computer equipment HK\$'000	Technical support and maintenance HK\$'000	Sharing of profits of a Macau casino junket representative HK\$'000	Money lending business HK\$'000		Marketing service for gaming activities in Macau 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
Other revenue							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 amortization	178	33	–	–	211	8	219
Capital expenditure	188	45	–	–	233	–	233

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	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,928	16,243	–	–	14,928	16,243
Macau	6,277	5,765	–	11,697	6,277	17,462
PRC	4,219	1,727	–	–	4,219	1,727
	<u>25,424</u>	<u>23,735</u>	<u>–</u>	<u>11,697</u>	<u>25,424</u>	<u>35,432</u>

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	57,625	4,175	–	–	57,625	4,175
Macau	70,519	69,283	–	–	70,519	69,283
PRC	1,913	854	–	–	1,913	854
	<u>130,057</u>	<u>74,312</u>	<u>–</u>	<u>–</u>	<u>130,057</u>	<u>74,312</u>

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	317	226	–	–	317	226
Macau	159	–	–	–	159	–
PRC	8	7	–	–	8	7
	<u>484</u>	<u>233</u>	<u>–</u>	<u>–</u>	<u>484</u>	<u>233</u>

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations		
Interest on bank loans and overdrafts		
wholly repayable with five years	607	14
Interest element of finance leases	12	7
	<u>619</u>	<u>21</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 17.5% (2007: 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.

No income tax has been provided in the income statement as the Group did not have assessable profit for the year (2007: nil).

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/Profit before tax:		
Continuing operations	(41,824)	1,259
Discontinued operation	-	(5,521)
	<u>(41,824)</u>	<u>(4,262)</u>
Tax benefit calculated at Hong Kong profits tax rate of 17.5%	7,319	746
Effect of different tax rates in other jurisdictions	38	865
Tax effect of income not subject to tax	1,164	270
Tax effect of expenses not deductible for tax	(7,997)	(674)
Tax effect of temporary differences not recognised	17	(248)
Tax effect of utilisation of tax losses previously not recognised	229	-
Tax effect of tax losses not recognised	(770)	(959)
	<u>-</u>	<u>-</u>
Tax expense for the year	<u>-</u>	<u>-</u>

7. DISCONTINUED OPERATION

On 28 February 2007, the Group entered into an agreement to terminate the marketing agreement to provide marketing, rolling and settlement services for a VIP lounge in a casino in Macau.

The combined results of the discontinued operation included in the consolidated income statement is set out below.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	–	11,697
Expenses	–	(17,218)
	<hr/>	<hr/>
Loss before tax	–	(5,521)
Income tax expense	–	–
	<hr/>	<hr/>
Loss for the year from discontinued operation	<u>–</u>	<u>(5,521)</u>

8. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising and promotion costs	19	315	–	–	19	315
Auditors' remuneration	570	560	–	–	570	560
Depreciation:						
Owned assets	199	172	–	8	199	180
Leased assets	42	39	–	–	42	39
	241	211	–	8	241	219
Impairment losses:						
Accounts receivable	671	945	–	–	671	945
Goodwill	33,376	–	–	–	33,376	–
Minimum lease payments under operating leases in respect of leased premises	1,087	1,584	–	–	1,087	1,584
Staff costs including directors' emoluments	17,671	13,724	–	3,131	17,671	16,855

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year or since the balance sheet date (2007: nil).

10. LOSS PER SHARE

	2008 <i>HK cent</i>	2007 <i>HK cent</i> (Restated)
Basic and diluted loss per share		
For continuing operation	(2.10)	(0.05)
For discontinued operation	–	(0.61)
	<hr/>	<hr/>
Loss for the year	(2.10)	(0.66)
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The calculations of basic and diluted loss per share are based on:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of the parent		
Loss from continuing operations	(43,710)	(471)
Loss from discontinued operation	–	(5,521)
	<hr/>	<hr/>
Loss from continuing and discontinued operations	(43,710)	(5,992)
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	2008	2007 (Restated)
Shares		
Weighted average number of ordinary shares in issue	2,081,428,777	908,514,599
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The weighted average number of ordinary shares for the year ended 31 March 2007 has been adjusted retrospectively for the effects due to the bonus element in the rights issue and the bonus issue of shares on the basis of one bonus share for one rights share completed in August 2007, and the bonus element in the open offer to the then existing shareholders and the bonus issue of shares on the basis of one bonus share for one offer share completed in January 2008.

The basic and diluted loss per share is the same for the year ended 31 March 2008, as the Company recorded a loss from continuing operations attributable to the equity holders of the parent and hence, the incremental shares from the assumed exercises of share options and warrants outstanding as at 31 March 2008 are not included in calculating the diluted basic loss per share.

The basic and dilutive loss per share is the same for the year ended 31 March 2007, as there was no potential dilutive ordinary share outstanding as at 31 March 2007.

11. TRADE RECEIVABLES

The ageing analysis of trade receivables, net of allowance for impairment, is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	2,775	7,745
Over three months and within six months	2,623	536
Over six months and within one year	3,056	225
Over one year and within two years	2,177	17
	<hr/>	<hr/>
	10,631	8,523
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12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	906	126
Over three months and within six months	762	–
Over six months and within one year	32	–
Over one year and within two years	1,797	742
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	3,497	868
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the core business of the Group comprises (i) sharing of profits of a Macau casino junket representative; (ii) money lending services; (iii) sales of customized software (including ERP and POS solutions) and related computer equipments; and (iv) provision of technical support and maintenance services on the systems implemented.

(A) Major and connected transaction – revised consideration for the 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 Investment 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 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 entered into between the Company, Mr. Sin Tim Iao, Ms. Chen Anfeng (Mr. Sin and Ms. Cheng, ‘the Vendors’) and Man Pou on 21 May 2007 to revise the consideration for the Acquisition from HK\$230,200,000 to HK\$89,877,000 (“Revised Consideration”) (of which HK\$55,000,000 was already satisfied by the allotment and issue of 50,000,000 ordinary shares of the Company of HK\$0.10 each at HK\$1.1 each to the Vendors at completion of the Acquisition) due to the disappointing performance of Man Pou for the period from 1 January to 31 March 2007. As (i) the consideration ratio as referred to in the GEM Listing Rules is 25% or more but less than 100%; and (ii) the Vendors are substantial shareholders of Right Idea, an indirect subsidiary of the Company; therefore, the amendment on consideration constituted a major and connected transaction for the Company under the GEM Listing Rules and was approved by the independent shareholders at the special general meeting (“SGM”) held on 3 August 2007. Part payment of the Revised Consideration in the sum of HK\$30 million has been paid from the net proceeds of the Rights Issue (as defined below in paragraph (B) below). Remaining payment of the Revised Consideration in the sum of HK\$4,877,000 has been paid from the net proceeds of the Open Offer (as defined below in paragraph (c)(iii) 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 and the shareholders, at the SGM, approved the Company to raise approximately HK\$39.4 million before expenses by way of rights issue of one rights share for every 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 and circular dated 7 November 2007 and 28 November 2007 respectively, the Board proposed a capital reorganization, a bonus warrant issue, an open offer, a bonus share issue and a discloseable transaction, and the shareholders, at the special general meeting held on 4 January 2008, approved all the proposals.

(i) Capital reorganization

The nominal value of each of the then issued ordinary share(s) of HK\$0.1 each in the capital of the Company (“Former Share(s)”) was reduced to HK\$0.01 by canceling the paid-up capital to the extent of HK\$0.09 per issued Former Share and the credit arising therefrom was transferred to the contributed surplus account of the Company and the shareholders approved the application of such credit against the accumulated losses of the Company. Details of the capital reorganization were given in the Company’s announcement and circular dated 7 November 2007 and 28 November 2007 respectively.

(ii) Bonus warrant issue

A bonus warrant issue was made to the shareholders whose names appeared on the register of members of the Company on 24 December 2007 on the basis of two (2) warrants for every ten (10) Former Shares held. The exercise price of the bonus warrant is HK\$0.055. Details of the bonus warrant issue were given in the Company’s announcement and circular dated 7 November 2007 and 28 November 2007 respectively.

(iii) Open offer and bonus share issue

The Company raised approximately HK\$99.9 million before expenses by way of an open offer of 909,909,000 new shares of HK\$0.01 each (“Offer Share(s)”) at a price of HK\$0.11 per Offer Share on the basis of one Offer Share for every Former Share held on 24 December 2007 (“Open Offer”). In conjunction with the Open Offer, the registered holders of fully-paid Offer Shares were 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 Company’s announcement, circular and prospectus dated 7 November 2007, 28 November 2007 and 10 January 2008 respectively. On 28 January 2008, the Open Offer became unconditional and was approximately 154.89% oversubscribed.

(iv) Discloseable transaction

On 29 October 2007, Cherry Oasis (Far East) Limited (“Cherry Oasis”), a wholly owned subsidiary of the Company, entered into a subscription 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 at a consideration of HK\$49.5 million. Completion of the subscription agreement took place on 27 February 2008, Cherry Oasis now holds 90% of the total issued share capital of Success Finance. Success Finance is a company incorporated in Hong Kong with limited liability and holds a money lenders license under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong). Success Finance targets 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. The Company paid the subscription money from the net proceeds of the Open Offer. The subscription for shares of Success Finance constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Details of the discloseable transaction were given in the Company’s announcement and circular dated 7 November 2007 and 28 November 2007 respectively.

(D) Issue of convertible notes

Referring to the announcement and circular dated 8 April 2008 and 28 April 2008 respectively, the Board proposed to issue convertible notes (“Convertible Notes”) in an equivalent face value of HK\$10,700,000 as part payment of the consideration for the acquisition (“City Faith Acquisition”) of the entire issued share capital and shareholder’s loans of City Faith Investments Limited (“City Faith”). The Company entered into the sale and purchase agreement on 28 March 2008 to acquire the entire issued share capital and shareholder’s loans of City Faith at an aggregate consideration of HK\$24,700,000, which would be satisfied by HK\$14,000,000 in cash and HK\$10,700,000 by the issue of the Convertible Notes. City Faith is a company incorporated in Hong Kong with limited liability. The principal business

of City Faith is investment holding. City Faith holds a flat of a low density residential building in Tai Po and two vehicles. The shareholders, at the special general meeting held on 30 May 2008, voted down the resolution regarding the issue of the Convertible Notes and the issue and allotment of the shares upon conversion thereof and the transactions contemplated thereunder. Given that one of the conditions precedent to the completion of the City Faith Acquisition, being the approval by the shareholders of the Company on the issue of the Convertible Notes and the issue and allotment of the shares upon conversion thereof, cannot be satisfied, the City Faith Acquisition is terminated.

FINANCIAL REVIEW

Turnover and loss attributable to shareholders

During the year under review, turnover was approximately HK\$25.42 million, recorded a decrease of 28% as compared to last year (2007: HK\$35.43 million). The drop in turnover for the year was mainly arisen from the early termination of 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 on 28 February 2007, in order to reallocate and centralize resources in developing high profit customers in the Jun Ying VIP Club. Loss attributable to shareholders was HK\$43.71 million, as compared to a loss of HK\$5.99 million in 2007. The Group recorded a higher net loss attributable to the shareholders is mainly due to the impairment of goodwill arising from the acquisition of Right Gateway in December 2006 and the cost associated with equity-settled share options. Disregarding these items, the Group recorded a loss attributable to shareholders of HK\$9.45 million.

Segment performance

During the year under review, turnover contributed by gaming and entertainment sector as the primary business segment of the Group was HK\$6.28 million (2007: HK\$17.46 million), represented a decrease of 64% comparing with last year. The early termination of the marketing agreement caused a drop in turnover of HK\$11.70 million from the provision of marketing service for gaming activities in Macau. Turnover contributed by sales of customised software and related computer equipment was HK\$15.76 million, increased by 6% (2007: HK\$14.92 million). Revenue from the support and maintenance services was HK\$3.18 million, increased by 4.% (2007: HK\$3.05 million). The contribution of gaming and entertainment sector, money lending sector and IT sector to turnover for the financial year was 25% (2007: 49%); 1% (2007: Nil) and 74% (2007: 51%).

Financial resources, liquidity and gearing

The Group financed its operations primarily with internally generated cash flow as well as the cash flow generated from Rights Issue and Open Offer during the year. The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. All borrowings and the majority of bank balances are denominated in Hong Kong dollars and put in short term deposits.

As at 31 March 2008, the Group has cash and bank balances of approximately HK\$19.19 million (2007: HK\$1.28 million). The Group's current assets are approximately 11.03 times (2007: 0.34 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 0.03% (2007: 0.19%).

During the year under review, the Group has successfully raised funds from the Rights Issue and the Open Offer in the amount of approximately HK\$39.4 million and HK\$99.9 million before expenses respectively. Fund raised from the Rights Issue and the Open Offer have been used to settle debts which was the main reason for the rise in current ratio and drop in gearing ratio of the Group for the year ended 31 March 2008. In view of the Group's current liquidity position, 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 2008, none of the Group's assets has been pledged (2007: Nil).

Foreign currency exposure

The Group continues to adopt a conservative treasury policy with all deposits in Hong Kong dollars, keeping a minimum exposure to foreign exchange risks. As the sales, expenditures, assets and liabilities are mainly denominated in Hong Kong dollars and Renminbi, the Group has not adopted any hedging policy or entered into any derivative products which are considered not necessary for the Group's treasury management activities.

Contingent liabilities

As at 31 March 2008, the Group did not have any significant contingent liabilities.

Employees

As at 31 March 2008, the Group has approximately 26 (2007: 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\$17.7 million (2007: HK\$16.9 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. The remuneration policy and packages of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

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 for diversification.

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

As at 31 March 2008, 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, Cap.571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules:

Long positions in Shares:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
<i>Directors</i>					
Wong Kam Leong	Corporate Interest	922,500,000 (Note 1)	61,500,000 (Note 2)	984,000,000	36.08%
Hui Siu Lun	Personal Interest	–	2,000,000 (Note 3)	2,000,000	0.07%
Ng Kwok Chu, Winfield	Personal Interest	–	1,000,000 (Note 4)	1,000,000	0.04%
Ng Chau Tung, Robert	Personal Interest	–	1,000,000 (Note 4)	1,000,000	0.04%
Leung Kar Loon, Stanley	Personal Interest	–	2,000,000 (Note 3)	2,000,000	0.07%

Notes:

1. The 922,500,000 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. As at 31 March 2008, Wide Fine held 61,500,000 warrants conferring rights to subscribe for up to HK\$3,382,500 in aggregate in cash for 61,500,000 new shares at a subscription price of HK\$0.055 per share.
3. As at 31 March 2008, 2,000,000 share options conferring rights to subscribe for 2,000,000 shares.
4. As at 31 March 2008, 1,000,000 share options conferring rights to subscribe for 1,000,000 shares.

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 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 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 2008.

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 2008, 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 ordinary shares held	Number of underlying shares held	Total	Percentage of shareholding
Wide Fine International Limited (<i>Note 1</i>)	922,500,000	61,500,000	984,000,000	36.08%
Lai Pak Leng	186,000,000	12,400,000 (<i>Note 2</i>)	198,400,000	7.27%
Lai Cho Wai	138,000,000	9,200,000 (<i>Note 3</i>)	147,200,000	5.40%

Note 1: Wide Fine International Limited is beneficially and wholly owned by Mr. Wong Kam Leong, an executive Director.

Note 2: As at 31 March 2008, Mr. Lai Pak Leng held 12,400,000 warrants conferring rights to subscribe for up to HK\$682,000 in aggregate in cash for 12,400,000 new shares at a subscription price of HK\$0.055 per share. Mr. Lai Cho Wai is an ex-director of the Company who resigned on 29 August 2007. He is a connected person under chapter 20 of the GEM Listing Rules but not a connected person under 1.01 of the GEM Listing Rules. For the purpose of calculating public float, the Shares held by Mr. Lai Cho Wai is considered as a public shareholder of the Company. Mr. Lai Pak Leng is the nephew of Mr. Lai Cho Wai and is also considered as a public shareholder of the Company.

Note 3: As at 31 March 2008, Mr. Lai Cho Wai held 9,200,000 warrants conferring rights to subscribe for up to HK\$506,000 in aggregate in cash for 9,200,000 new shares at a subscription price of HK\$0.055 per share. Mr. Lai Cho Wai is an ex-director of the Company who resigned on 29 August 2007. He is a connected person under chapter 20 of the GEM Listing Rules but not a connected person under 1.01 of the GEM Listing Rules. For the purpose of calculating public float, the Shares held by Mr. Lai Cho Wai is considered as a public shareholder of the Company.

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 as at 31 March 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2008, the Directors are not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Leung Kar Loon, Stanley, 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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices and the Rules on Corporate Governance Report ("Code on CG Practices") contained in Appendix 15 and Appendix 16 of the GEM Listing Rules other than the deviations as disclosed in the annual report 2008 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 required such code of conduct and required standard of dealings.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

On behalf of the Board
Wong Kam Leong
Chairman

26 June 2008, Hong Kong

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

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