



Teem Foundation Group Ltd.

浩基集團有限公司*

(incorporated in Bermuda with limited liability)
Stock Code : 628

*For identification purposes only

06

INTERIM REPORT



The board of directors (the "Board") of Teem Foundation Group Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 together with the comparative figures. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Turnover	3	3,349	10,645
Cost of sales		(3,247)	(9,551)
		<hr/>	<hr/>
Gross profit		102	1,094
Other revenue	4	33	13
Other income	4	912	325
Administrative expenses		(5,282)	(3,871)
Other operating expenses		(422)	(828)
		<hr/>	<hr/>
Loss from operating activities		(4,657)	(3,267)
Finance costs	5	–	(12)
		<hr/>	<hr/>
Loss before taxation	6	(4,657)	(3,279)
Taxation	7	16	–
		<hr/>	<hr/>
Loss for the period		(4,641)	(3,279)
		<hr/>	<hr/>
Dividend	9	–	–
		<hr/>	<hr/>
Loss per share	8		
Basic		(0.69 cents)	(0.49 cents)
		<hr/>	<hr/>
Diluted		N/A	N/A
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		450	519
Investment property	10	10,200	10,200
		<u>10,650</u>	<u>10,719</u>
Current Assets			
Accounts receivable	11	3,349	–
Prepayments and other receivables		1,274	9
Financial assets at fair value through profit or loss	12	6,490	4,953
Refundable deposit paid	13	160,000	–
Tax recoverable		–	1,656
Cash and cash equivalents		25,485	29,985
		<u>196,598</u>	<u>36,603</u>
Total Assets		<u>207,248</u>	<u>47,322</u>
LIABILITIES			
Current Liabilities			
Accounts payable	14	4,141	893
Other payables and accruals		2,454	1,315
Amount due to a shareholder	13	160,000	–
Tax payable		180	–
		<u>166,775</u>	<u>2,208</u>
Total Liabilities		<u>166,775</u>	<u>2,208</u>
Net Current Assets		<u>29,823</u>	<u>34,395</u>
Total Assets Less Current Liabilities		<u>40,473</u>	<u>45,114</u>
EQUITY			
Share Capital	15	67,200	67,200
Reserves		(26,727)	(22,086)
Total Equity		<u>40,473</u>	<u>45,114</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 April 2006	67,200	20,607	(42,693)	45,114
Net loss for the period	—	—	(4,641)	(4,641)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2006	<u>67,200</u>	<u>20,607</u>	<u>(47,334)</u>	<u>40,473</u>
At 1 April 2005	67,200	20,607	(27,386)	60,421
Net loss for the period	—	—	(3,279)	(3,279)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	<u>67,200</u>	<u>20,607</u>	<u>(30,665)</u>	<u>57,142</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(4,450)	7,110
NET CASH USED IN INVESTING ACTIVITIES	(160,050)	(10,595)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	160,000	(202)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,500)	(3,687)
Cash and cash equivalents at the beginning of the period	29,985	11,478
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	25,485	7,791
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	25,485	7,791

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business in Hong Kong is Suite 2108, 21/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Group was principally involved in the provision and installation of fire-rated timber door sets, the provision of interior decoration and renovation services and the trading of logs.

2. BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in the preparation of these condensed interim financial statements are consistent with those set out in the Group's audited financial statements for the year ended 31 March 2006, except that the Group has adopted, for the first time for the current period's financial statements, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "New HKFRSs") issued by the HKICPA are effective for the annual periods commencing on or after 1 January 2006:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above New HKFRSs has had no material impact on the accounting policies of the Group and the methods of the computation in the Group's condensed interim financial statements.

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted those new and revised HKFRSs in these condensed interim financial statements.

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

3. TURNOVER AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the construction segment provides and installs fire-rated timber door sets, as well as provides interior decoration and renovation services and other carpentry works;
- (b) the timber segment engages in trading of logs; and
- (c) the corporate segment included general corporate income and expense items.

In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the customers.

Business segmentation analysis is presented as shown below:

	30 September 2006			
	Construction (Unaudited) HK\$'000	Trading of logs (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover	3,349	–	–	3,349
Other revenue	–	–	33	33
Other income	–	–	912	912
Total	<u>3,349</u>	<u>–</u>	<u>945</u>	<u>4,294</u>
Segment results	<u>102</u>	<u>–</u>	<u>(4,759)</u>	<u>(4,657)</u>
Finance costs				–
Loss before taxation				(4,657)
Taxation				<u>16</u>
Loss for the period				<u>(4,641)</u>

	30 September 2005			
	Construction (Unaudited) HK\$'000	Trading of timber (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover	106	10,539	–	10,645
Other revenue	–	–	13	13
Other income	–	–	325	325
	<u>106</u>	<u>10,539</u>	<u>338</u>	<u>10,983</u>
Segment results	<u>305</u>	<u>272</u>	<u>(3,844)</u>	(3,267)
Finance costs				<u>(12)</u>
Loss before taxation				(3,279)
Taxation				<u>–</u>
Loss for the period				<u>(3,279)</u>

Geographical segmentation analysis is presented as shown below:

	Turnover For the six months ended 30 September		Other revenue and other income For the six months ended 30 September		Segment results For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Hong Kong	3,349	106	945	338	(4,657)	(3,539)
United States of America	–	10,539	–	–	–	272
	<u>3,349</u>	<u>10,645</u>	<u>945</u>	<u>338</u>	<u>(4,657)</u>	<u>(3,267)</u>
Finance costs					–	(12)
Loss before taxation					(4,657)	(3,279)
Taxation					16	–
Loss for the period					<u>(4,641)</u>	<u>(3,279)</u>

4. OTHER REVENUE AND OTHER INCOME

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Other revenue		
Interest income	11	2
Dividend income	22	11
	<hr/>	<hr/>
	33	13
	<hr/>	<hr/>
Other income		
Realised fair value gain on financial assets through profit or loss	288	124
Write-back of provision for impairment loss on accounts receivable	484	201
Gain on disposal of a subsidiary	140	–
	<hr/>	<hr/>
	912	325
	<hr/>	<hr/>

5. FINANCE COSTS

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on a bank loan	–	12
	<hr/>	<hr/>

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Depreciation	291	365
Gain on disposal of a subsidiary	(140)	–
	<hr/>	<hr/>

7. TAXATION

	For the six months ended 30 September	
Group:	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Charge for the period	-	-
Overprovision in prior years	(16)	-
	<hr/>	<hr/>
Total tax credit for the period	(16)	-
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit arising from Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong or had tax losses brought forward from prior years to set off assessable profits for the six months ended 30 September 2005 and 2006.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period for the six months ended 30 September 2006 of approximately HK\$4,641,000 (2005: HK\$3,279,000), and the weighted average of 672,000,000 (2005: 672,000,000) ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 September 2005 and 2006 have not been disclosed as there were no dilutive potential ordinary shares outstanding during these periods.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2006 (2005: Nil).

10. INVESTMENT PROPERTY

The directors consider that the values of the Group's investment property as at 30 September 2006 would not differ materially from the professional valuation made as at 31 March 2006 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

11. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 90 days.

An aged analysis of accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Current – 90 days	3,349	–
91 days – 180 days	–	–
181 days – 365 days	–	–
Over 365 days	–	–
Retention monies receivable	–	–
	<hr/> 3,349 <hr/>	<hr/> – <hr/>

The carrying amount of accounts receivable approximate their fair value.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Held for trading		
Equity securities, at fair value		
Hong Kong	4,358	4,953
Elsewhere	2,132	–
	<hr/> 6,490 <hr/>	<hr/> 4,953 <hr/>

13. REFUNDABLE DEPOSIT PAID AND AMOUNT DUE TO A SHAREHOLDER

As disclosed in an announcement of the Company dated 6 April 2006, Smart Town Holdings Limited, a controlling shareholder of the Company, has placed 162.72 million shares at a price of HK\$1.00 per share to finance the payment of a refundable deposit of HK\$160 million to be made by Team Jade Enterprises Limited ("Team Jade") a wholly-owned subsidiary of the Company, under the conditional sale and purchase agreement dated 30 March 2006 ("Target Acquisition Agreement"). The placing has been completed on 7 April 2006 and the shares had already been transferred to the placees. The HK\$160 million raised has been paid as a refundable deposit under the Target Acquisition Agreement. However, pursuant to the deed of cancellation dated 28 August 2006 ("Deed of Cancellation"), the refundable deposit of HK\$160 million was returned to Team Jade within 30 days from the date of the Deed of Cancellation. The HK\$160 million raised was utilized to pay the refundable deposit under the conditional sale and purchase agreement dated 28 August 2006 ("New Target Acquisition Agreement").

Please refer to announcements of the Company dated 6 April 2006 and 18 September 2006 and a circular of the Company dated 11 December 2006 ("Circular") for further details.

The carrying amount of refundable deposits paid and amount due to a shareholder approximate their fair value.

14. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at balance sheet date, based on invoice date, is as follows:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Current – 90 days	3,248	–
91 days – 180 days	–	–
181 days – 365 days	–	–
Over 365 days	69	69
	3,317	69
Retention monies payable	824	824
	4,141	893

The carrying amount of accounts payable approximate their fair value.

15. SHARE CAPITAL

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid: 672,000,000 ordinary shares of HK\$0.1 each	67,200	67,200

16. COMMITMENTS

At the balance sheet date, the Group did not have any significant commitments.

17. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Unaudited) HK\$'000
Guarantees given to bank In connection with: Finance lease granted to certain subsidiaries disposed in previous years (<i>note</i>)	774	1,633

Note: During the year ended 31 March 2005, the Group disposed of certain of its subsidiaries (the "Disposed Subsidiaries"). As at 30 September 2006, the Company was still the guarantor in respect of the finance lease contracts of the Disposed Subsidiaries.

Pursuant to the agreement dated 21 March 2005 and 8 November 2004, the buyer of the Disposed Subsidiaries agreed to provide counter indemnities to the Company for its corporate guarantees provided to the Disposed Subsidiaries.

18. OPERATING LEASE ARRANGEMENTS

The Group leased its office properties under operating lease arrangement. Leases for properties were negotiated for terms of 3 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases of its office falling due as follows:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Within one year	1,006	–
In the second to fifth years, inclusive	1,646	–
	2,652	–

19. SUBSEQUENT EVENTS

On 18 September 2006, the Board announced that Team Jade has entered into a Deed of Cancellation to terminate the Target Acquisition Agreement and has entered into the New Target Acquisition Agreement to acquire from Rich Game Capital Inc. (the "Rich Game") for a total consideration of HK\$539 million.

The consideration shall be satisfied by Team Jade (1) paying the refundable deposit in a sum of HK\$160 million in the following manners: (i) as to HK\$20 million, upon signing of the New Target Acquisition Agreement; and (ii) as to HK\$140 million, within 30 days from the date of the New Target Acquisition Agreement; (2) procuring the Company to issue the convertible bond in a principal amount of HK\$134.4 million to Rich Game; and (3) procuring the Company to issue the promissory notes in an aggregate principal amount of HK\$244.6 million to Rich Game.

A special general meeting of the Company will be convened on 29 December 2006 to consider and, if thought fit, approve the above acquisition.

20. RELATED PARTY TRANSACTIONS

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, is as follows:

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Salaries and allowances	800	1,102
Pension scheme contributions	18	18
	<hr/> 818 <hr/>	<hr/> 1,120 <hr/>

21. APPROVAL OF INTERIM REPORT

These interim financial statements were approved and authorised for issue by the Board on 22 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the period under review, in order to manage the risk associated with an uncertain market environment and to prepare for the very substantial acquisition (see below), the Group has continued its prudent financial management policy and maintains a sound financial position.

As such, a turnover of HK\$3.3 million (2005: HK\$10.6 million) has been achieved and a net loss of HK\$4.6 million (2005: HK\$3.3 million) has been recorded.

The liquidity of the Group remains sound despite the continuous high price of gasoline has deterred the Group from taking an active role in the trading activities – the Group would only carry out those activities that are able to prove that they are viable, profitable and the receivables can be collected.

As such, the number of headcount has been trimmed, resulting in a lowering in the “normal” operating expenses. The apparent increase in the administrative expenses is due to the “one off” expenses relating to the very substantial acquisition. Due to the complexity of the deal, the amount involved, the extent of due diligence work involved and the timing involved, a lot of professional have been engaged. The legal and professional fee paid and accrued for the acquisition exercises amounted to HK\$2.6 million for the period up to 30 September 2006. It is glad to mention that after months of due diligence work and replying of queries raised by The Stock Exchange of Hong Kong Limited, the circular relating to the acquisition has been despatched on 11 December 2006 for shareholders’ information and the special general meeting for the approval has been scheduled on 29 December 2006.

Meanwhile, certain orders about trading of building materials have met the Company’s decision criteria and the Group has successfully secured the orders. Yet, the management would like to emphasis that business on trading of logs is difficult to locate. As such, to avoid distorting the financial picture, the Group has written off all the balance of the related assets (circa HK\$8.5 million) associated with the trading of logs business during the financial year ended 31 March 2006 so that no further provision would be required.

However, due to the delay in the issuance of circular due to one reason or the other, no contribution of the acquisition has been recorded during the interim period and the interim result of the Group reflected only the operation of the Group without any contribution from the proposed acquisition.

The Board would like to clarify that if the proposed acquisition is approved by the independent shareholders scheduled to open on 29 December 2006, in line with the terms of the agreements, the profit of the acquiree company would be distributed for the benefit of the Group starting from 16 March 2006. In other words, once approved, the Group is able to share 49% of the profit guaranteed which is of at least HK\$150 million during the first year commencing from 16 March 2006 (till 15 March 2007). The whole year effect would be reflected in the Group’s annual result for the financial year ending 31 March 2007.

FUTURE PROSPECT

The Group would continue its effort in identifying promising trading opportunities. The management however is not that optimistic over the activities in this area due to the still overhanging uncertainties:

- (a) fluctuating gasoline price;
- (b) unstable supply of logs;
- (c) the recoverability of the receivables when fallen due, in particular, in view of the recent and the austerity measures to be imposed by the PRC government over the properties and the actions against the bribery.

Major emphasis would meanwhile be placed on,

- (a) the completion of the proposed very substantial acquisition (see below) which would bring in stable and steady income/profit to the Group at minimal risk;
- (b) upgrading knowledge in both operational and technical level so as to better understand the gaming sector in preparing for the future move;
- (c) better understanding the internal control systems to ensure the full compliance with the relevant anti-money laundering and listing rules; and
- (d) identifying further investment opportunities that would be beneficial to the Group as a whole.

To strengthen the Board's knowledge about Macau operation and in effecting additional supervision and also as one of the Independent Non-Executive Director has resigned due to his personal reasons, the Group is pleased to advise that an experienced VIP rooms operation management, namely, Mr. Cheung Johnny Yim Kong has been invited to join the board as an Independent Non-Executive Director on 16 November 2006.

All in all, the Board is confident over the future of the Company, in particular, following the approval of the acquisition transaction. It is anticipated that following the same, the Group would retreat from its loss position incurred in the past few years. In view of the positive outlook, it is the present intention of the management that the Group would continue seeking investment opportunities that are beneficial to the shareholders.

VERY SUBSTANTIAL ACQUISITION

The Group has entered into a conditional sale & purchase agreement on 16 March 2006 (the "Target Acquisition Agreement") for acquiring 100% interest in Youngrich Limited (the "Youngrich") which holds 49% of Worth Perfect International Limited (the "Worth Perfect"), a company that receives "profit stream" from Sat leng Sociedade Unipessoal Limitada (the "Sat leng"), a licensed junket operator at the Sands Macao's Paiza Club gaming rooms. The Agreement was terminated on 28 August 2006 and replaced by a new conditional sale and purchase agreement (the "New Target Acquisition Agreement") for acquiring 100% interest in Youngrich which holds 49% of Worth Perfect, a company that get "profit stream" from both Sat leng and Dore Entretenimento Sociedade Unipessoal Limitada (the "Dore"), a licensed junket operator at the Wynn Resorts (Macau), S.A. The total consideration remains unchanged at HK\$539 million which is to be satisfied by:

- (a) cash of HK\$160 million (as represented by the refundable deposit of HK\$160 million appeared on the current assets section of the balance sheet of the Group as at 30 September 2006);
- (b) a 10-year convertible bond of HK\$134.4 million at 5% coupon rate with clause of pre-mature retirement possible; and
- (c) 10-year promissory notes of HK\$244.6 million at 5% coupon rate with clause of pre-mature retirement possible.

The opinion from the independent financial adviser who recommends the transaction has been provided in the circular despatched to the shareholders on 11 December 2006 with the special general meeting scheduled on 29 December 2006 for shareholders to approve and to ratify the captioned transaction.

Some salient features of the deal are,

- (a) it is an alternative type of "junket" operation in U.S. casinos, i.e. Sands Macao and Wynn Macau, which is more regulated and is believed to be the trend in the future. This means that the "junket" is responsible only for "introducing" clients to the casino while the win/loss would be the responsibility of the casino;
- (b) while acquiring effectively 49% of the profit stream of Worth Perfect which receives 0.4% rolling turnover of both Sat leng at Sands Macao and Dore at Wynn, Macau provides a good investment opportunity for the Group in entering into the booming Macau gaming sector at a prudent manner – as a pure investment, not involving in the daily operation, not affected by the expenses and risk elements of being a junket operator until the Group is more familiar with the operation and feel comfortable with the same;
- (c) in relation to (b), the revenue of the Company is very simple in prediction and following up, i.e. 49% of 0.4% of rolling turnover of both Sat leng and Dore;
- (d) irrespective the anticipated approval date will be 29 December 2006 (i.e. the date of the special general meeting), it has been agreed that profit stream generated during the interim period would not be distributed to the shareholders until the acquisition by the Group is in place, i.e. the Group would share the profit stream dated from the original signing date of the Target Acquisition Agreement, i.e. 16 March 2006;

- (e) the convertible bonds can be converted only starting the third year and at a rate of 10% of the convertible bonds (or 2% existing shares of the Company) per year. The dilution effect on existing shareholders would be minimal;
- (f) translating the acquisition price to price earning multiple, it is acquired at a price earning multiple of circa 7.3 times for the first year and circa 4.4 times for the second year or circa 5.5 times based on the average of the two years' profit guarantees (vs. the listed stocks of the same industry trading at higher than 30 times in the market); and
- (g) based on the historical records (which may or may not repeat itself in the future), in particular, with the contribution of Dore at Wynn Macau, it seems that the minimum profit guarantees provided by the Sat leng and Dore over the profits of Worth Perfect can be fulfilled easily.

Though material capital expenditures will be incurred for the development of the project, the Board considers the acquisition a rare and commendable investment and is confident that the project paves the way for the Group in entering into the fast growing and highly rewarding Macau business sentiment. The Group believes that the project can generate sufficient cashflow in meeting its obligation upon due.


LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group remained strong evidenced by the cash position of circa HK\$25.5 million plus liquid financial asset of another HK\$6.5 million. This was more than sufficient to pay off its normal engagement. The surplus of which is to prepare for working capital and/or investment opportunities in case of need.

The Group was basically in a cash rich position with the liabilities restricted to current payables (excluded the amount due to a shareholder) of HK\$6.8 million (2005: HK\$2.2 million). The Group's gearing ratio which is defined as total liabilities excluding the amount due to a shareholder to equity is correspondingly low at 16.7% (2005: 4.9%).

The Group had total assets of approximately HK\$207.2 million (2005: HK\$47.3 million) and net current assets of approximately HK\$29.8 million (2005: HK\$34.3 million) as at 30 September 2006. The current ratio, calculated on the basis of current assets divided by current liabilities of the Group as at 30 September 2006 was 1.2 (2005: 16.6). The apparent drop in the current ratio is due to "Refundable deposit paid" of HK\$160 million booked in the assets and the amount due to a shareholder booked in the liabilities arising from the very substantial acquisition. After deducting both items, the current ratio would be 5.4.

All in all, the liquidity continues to be healthy and the existing financial position can facilitate us to capitalise on future business opportunities and has sufficient working capital to meet its present and anticipated obligations.



Nonetheless, the Group has and would continue to manage its financial resources and liquidity so as to act prudently to ensure that the Group has adequate cash flow and access to funding sources, both debt and equity to finance its operations and the potential investment opportunities.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: nil).

CAPITAL STRUCTURE

There is no change in the share capital structure of the Company during the period under review.

FOREIGN EXCHANGE EXPOSURE

The Group continues to adopt a conservative treasury policy with all bank deposits in Hong Kong dollars, keeping a minimum exposure to foreign exchange risks. As the majority of the inflow and outflow are both denominated in Hong Kong Dollars and the United States Dollars which are pegged together, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2006, the Group had 6 full time employees. (2005: 8). Total staff costs incurred during the interim periods amounted to approximately HK\$1.2 million (2005: HK\$1.9 million).

If the material acquisition has been approved by the shareholders at the forthcoming special general meeting, the Board may recruit additional staff who has experience in casino operation to look after the operation in ensuring the compliance of anti-money laundering and in keeping track on the operational performance of Sat leng and Dore.

The Group remunerated its employees mainly based on the individual's performance and experience. Remuneration packages are maintained at competitive level and reviewed by the management on a periodical basis. Apart from the basic remuneration, discretionary bonus and share option may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares and underlying shares of the Company

Name of directors	Number of shares	Type of interests	Approximate percentage of the Company's issued share capital
Mr. Tang Hin Keung, Alfred	134,400,000 (note)	Through a controlled corporation	20.00
Mr. Pun Yuen Sang	134,400,000 (note)	Through a controlled corporation	20.00

Note: Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang are interested in these shares through Pan-Star Nominees Limited, a company which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively.

Save as disclosed above, as at 30 September 2006, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Share Option Scheme ("Scheme") was adopted by the Company pursuant to a written resolution of all shareholders of the Company dated 6 July 2002. During the six months ended 30 September 2006, no share option had been granted by the Company under the Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to arrangements to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate, and none of the directors, chief executive or their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, so far as is known to the directors and chief executive of the Company, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were set out below.

As at 30 September 2006, so far as is known to the Directors, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the shares and underlying shares of the Company

Name	Notes	Number of shares	Type of interests	Approximate percentage of the Company's issued share capital
Smart Town Holdings Limited	(1)	206,880,000	Directly beneficially owned	30.79
Mr. Liu Ching Hua	(1)	206,880,000	Through a corporation	30.79
Ms. Lam Ngar Lan	(2)	206,880,000	Interest of spouse	30.79
Mr. Yeung Tony Ming Kwong	(1)	206,880,000	Through a corporation	30.79
Ms. Ho Wai Chun Priscilla	(3)	206,880,000	Interest of spouse	30.79
Pan-Star Nominees Limited	(4)	134,400,000	Directly beneficially owned	20.00
Mr. Wei Ming	(4)	134,400,000	Through a corporation	20.00
PMA Capital Management Ltd.	(5)	128,640,000	Investment manager	19.14
Deutsche Bank Aktiengesellschaft	(6)	121,744,000	Having a security interest in shares	18.12
Diversified Asian Strategies Fund	(7)	55,432,000	Beneficial owner	8.25
PMA Prospect Fund	(8)	36,000,000	Beneficial owner	5.36
PMA Asian Opportunities Fund	(9)	35,000,000	Beneficial owner	5.21

Notes:

1. The shares are held by Smart Town Holdings Limited, which is 50% and 50% beneficially owned by Mr. Yeung Tony Ming Kwong and Mr. Liu Ching Hua, respectively.
2. Ms. Lam Ngar Lan is the spouse of Mr. Liu Ching Hua, who beneficially owns 50% of the shareholdings of Smart Town Holdings Limited which holds 206,880,000 shares.
3. Ms. Ho Wai Chun Priscilla is the spouse of Mr. Yeung Tony Ming Kwong, who beneficially owns 50% of the shareholdings of Smart Town Holdings Limited which holds 206,880,000 Shares.
4. The shares are held by Pan-Star Nominees Limited, which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively.
5. The 128,640,000 shares were held by PMA Capital Management Ltd. as investment manager.
6. The 121,744,000 shares were held as security interest by Deutsche Bank Aktiengesellschaft.
7. Diversified Asian Strategies Fund beneficially owned 55,432,000 shares, Diversified Asian Strategies Fund is 100% controlled by its immediate holding company, PMA Capital Management Ltd.
8. PMA Prospect Fund beneficially owned 36,000,000 shares. PMA Prospect Fund is 100% controlled by its immediate holding company, PMA Capital Management Ltd.
9. PMA Asian Opportunities Fund beneficially owned 35,000,000 shares. PMA Asian Opportunities Fund is 100% controlled by its immediate holding company, PMA Capital Management Ltd.

Save as disclosed above, as at 30 September 2006, no other parties were recorded at the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares and underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) during the period under review, except for the following deviation:

Code A.2.1 of CG Code provides, inter alia, that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

During the period under review, there was no position of Chief Executive Officer in the Company. However, Mr. Lum Chor Wah, Richard has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. For the time being, the Board intends to maintain this structure as it believes that it would take time to segregate the duties of the two positions and in order to cause minimum disruption to the smooth running of the businesses of the Company. Nonetheless, the Board would review and monitor the situation on a regular basis and would take the necessary actions in due course to comply with this Code requirement.

Code A.4.1 of CG Code provides that Non-Executive Directors should be appointed for a specific term, subject to re-election. Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Cheung Johnny Yim Kong, being the Company’s Independent Non-Executive Directors, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as its own code of conduct regarding securities transactions by the Directors (“Code”). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Code for the six months ended 30 September 2006.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee is for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. These interim financial statements have been reviewed by the audit committee. The Audit Committee comprises three Independent Non-Executive Directors of the Company, namely Mr. Leung Chi Hung (Chairman), Mr. Tsui Robert Che Kwong and Mr. Cheung Johnny Yim Kong.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2006.

REMUNERATION COMMITTEE

A remuneration committee was established in November 2005 and comprises Mr. Tsui Robert Che Kwong (Chairman), Mr. Leung Chi Hung and Mr. Pun Yuen Sang. Mr. Tsui Robert Che Kwong and Mr. Leung Chi Hung are Independent Non-Executive Directors of the Company and Mr. Pun Yuen Sang is an Executive Director of the Company. The duties of the remuneration committee include, inter alia, the determination of remuneration of directors of the Company and senior management and review of the remuneration policy of the Group.

NOMINATION COMMITTEE

A Nomination Committee was established in November 2005 and comprises Mr. Tsui Robert Che Kwong (Chairman), Mr. Leung Chi Hung and Mr. Pun Yuen Sang. Mr. Tsui Robert Che Kwong and Mr. Leung Chi Hung are Independent Non-Executive Directors of the Company and Mr. Pun Yuen Sang is an Executive Director of the Company. The duties of the Nomination Committee include, inter alia, review the structure, size and composition of the Board from time to time and making recommendations to the Board on the appointment and re-appointment of directors of the Company.

By order of the Board
Lum Chor Wah, Richard
Chairman

Hong Kong, 22 December 2006

The directors of the Company as at the date of this report are Mr. Lum Chor Wah, Richard, Mr. Pun Yuen Sang, Mr. Tang Hin Keung, Alfred, Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong and Mr. Cheung Johnny Yim Kong.