



Leisure Recreation Holdings Limited  
澤新遊樂控股有限公司\*

(Incorporated in Bermuda with limited liability) (Stock Code: 703)



Interim Report  
**2007**

\*For identification purposes only

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Chan See Kit, Johnny (*Chairman*)  
Mr. Chan Chak Mo (*Managing Director*)  
Mr. Lai King Hung (*Deputy Chairman*)  
Ms. Leong In Ian  
Mr. Cheung Hon Kit \*  
Mr. Chui Sai Cheong \*  
Mr. Yu Kam Yuen Lincoln \*  
Mr. Chan Shek Wah \*

\* *Independent non-executive director*

### AUDIT COMMITTEE

Mr. Cheung Hon Kit  
Mr. Chui Sai Cheong  
Mr. Chan Shek Wah

### REMUNERATION COMMITTEE

Mr. Cheung Hon Kit  
Mr. Chui Sai Cheong  
Mr. Chan Shek Wah

### COMPANY SECRETARY

Mr. Leung Hon Fai

### QUALIFIED ACCOUNTANT

Mr. Leung Hon Fai

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1409, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

### AUDITORS

BDO McCabe Lo Limited  
*Certified Public Accountants*

### PRINCIPAL BANKER

Seng Heng Bank  
The Hongkong and Shanghai  
Banking Corporation Limited

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Hong Kong

### PRINCIPAL REGISTRAR AND AGENT IN BERMUDA

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### LEGAL ADVISER

**as to Hong Kong Law:**

Lu Lai & Li solicitors

**as to Bermuda Law:**

Conyers Dill & Pearman

**as to PRC Law:**

Wang Jing & Co.

### WEBSITE

[www.innovo.com.hk](http://www.innovo.com.hk)

### STOCK CODE

703 (ordinary shares)

The Board of Directors (the “Directors”) of Innovo Leisure Recreation Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”) together with the unaudited comparative figures for the corresponding period in 2006.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

## **FINANCIAL REVIEW**

The turnover of the Group for the Period was approximately HK\$13.2 million, representing an increase of 94.1% as compared to the same period last year of HK\$6.8 million. Turnover of the Group was mainly derived from the carnival business held in Shaoguan and Panyu, China while the newly acquired restaurant business in Macau started to make positive contribution to the Group. The loss from operations for the Period was approximately HK\$22.8 million, representing an increase of 31.5 times as compared to the same period last year of HK\$751,000. The loss attributable to shareholders of the Group for the Period was HK\$67.5 million, representing an increase of 12.5 times as compared to the same period last year of HK\$5.0 million. The increase in loss was mainly attributable to the impairment of a trade receivable and an amount due from a former director of HK\$29.3 million and HK\$38.7 million respectively during the Period.

## **OPERATION REVIEW**

The Group, in May 2007, opened the amusement section of its nature amusement park in Panyu while continuing its carnival business in Shaoguan. The development of Panyu’s nature park section has been progressing slowly with the delay in the various design and construction approvals from local authorities. Such delay has been due to a possible rezoning of the neighbour lands for commercial/industrial uses. The Shaoguan carnival achieved profitability during the Period compared to the corresponding period. During the Period, the total income from carnival principal activities including admission fee, rides, games stalls and sponsorship was HK\$12.2 million, an increase of 75.0% as compared to the same period last year of HK\$7.0 million due to the increase in number of visitors and sponsorship income.

## **OPERATION REVIEW – continued**

With its acquisition of the restaurant business in Macau in June 2007, the Group has successfully diversified its operations with a broader income base. Such acquisition would complement the Group's current business with stable revenue and profit contributions. As a result, the Group's food and beverages business generated some HK\$1.3 million during the Period, an increase of 11.9 times as compared to the same period last year of HK\$101,000 following such acquisition.

The Group also, as mentioned below, acquired in August 2007 two restaurants at Venetian Macau Resort Hotel in Macau and these two restaurants recently commenced operations. The Directors believe that Venetian Macau Resort Hotel is now a major attraction to tourists and local visitors in Macau, and the prospect of these two restaurants would be quite promising to make positive contribution to the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2007, the Group had net current assets of HK\$61.7 million (as at 31 December 2006: HK\$58.6 million). As at 30 June, 2007, the Group's cash and bank balances amounted to HK\$93.6 million (as at 31 December 2006: HK\$1.1 million).

The Group had interest-bearing loans of HK\$65.3 million as at 30 June 2007 (as at 31 December 2006: HK\$86.0 million). The interest-bearing loans comprised a controlling shareholder's loan of HK\$18.5 million which was unsecured, interest bearing at 3% per annum and without fixed repayment terms and the balance of HK\$46.8 million represented a convertible note which was unsecured, interest bearing at 3% per annum and repayable on 25 December 2009. The controlling shareholder and directors waived their loan interest against the Group during the Period. The Group's borrowings were made in Hong Kong dollar.

As at 30 June 2007, the Group's gearing ratio represented by convertible note and interest-bearing loans bearing to the Group's total assets was 33% (as at 31 December 2006: 127%).

As at 30 June 2007, the Group's current ratio was 2.2 (as at 31 December 2006: 3.4). The Group has maintained sufficient liquid assets to finance its operations.

## **MATERIAL LITIGATION**

As at 30 June 2007, the Group had not involved in any material adverse litigation or arbitration (as at 31 December 2006: Nil).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2007, the Group did not have any charges on assets (as at 31 December 2006: Nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2007, the Group did not have any contingent liabilities (as at 31 December 2006: Nil).

## **CURRENCY EXPOSURE**

As at 30 June 2007, the Group did not have any outstanding hedging instrument. The Group would continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

## **EMPLOYEES**

As at 30 June 2007, the Group employed a total of 104 full time staff in Hong Kong, Macau and China. During the carnivals in Shaoguan and Panyu, the Group employed over 120 temporary staff in China. The remuneration policies are reviewed on a periodical basis by the management.

## **SUBSEQUENT EVENTS**

The Group has in August 2007 acquired from its effective substantial shareholder, Mr. Chan Chak Mo ("Mr. Chan") the entire share capital of a Macau company for a cash consideration of about HK\$6.8 million. Such Macau company owns and now operates two restaurants at Venetian Macau Resort Hotel in Macau, details of such acquisition have been disclosed in the Company's announcement dated 16 August 2007.

## **SUBSEQUENT EVENTS – continued**

In August 2007, the Group has also conditionally agreed to acquire from Mr. Chan another Macau company, for a cash consideration of about HK\$0.9 million. That company owns 50% equity capital of a Macau company which has recently set up a small take-away restaurant and is in the final process of setting up another restaurant, all at Galaxy Star World Hotel, Macau.

## **RESUMPTION OF SHARES TRADING**

The Company completed its resumption proposal comprising, inter alia, the following transactions during the Period:

- (i) consolidated every 10 issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.1 each;
- (ii) capitalised a shareholder's loan of Mr. Chan of HK\$70 million;
- (iii) issued additional shares of HK\$20 million to Mr. Chan for cash; and
- (iv) issued new shares of HK\$100 million by placing.

Details of such transactions were disclosed in the Company's circular dated 31 May 2007.

Trading in the Company's shares resumed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 26 June 2007. The Company successfully raised about HK\$116.4 million through such resumption proposal, after deducting the related expenses borne by the Company. Up to 30 June 2007, the Company applied the net proceeds in the following purposes:

- (i) approximately HK\$48.5 million for repayment of settlement of bank borrowings;
- (ii) approximately HK\$3.4 million for payment of construction and operation costs of the nature amusement park in Panyu, China; and
- (iii) the remaining balance of approximately HK\$64.5 million as general working capital of the Group.

## **OUTLOOK**

The first-half year of 2007 was the turning point for the Group. With the completion of the resumption proposal mentioned above, the trading of the Company's shares on the Stock Exchange resumed with an enlarged capital base providing liquidity to the investment of its shareholders.

With the opening of the amusement section of the Group's nature amusement park in Panyu, the Group's income base has been enlarged despite the keen competition in this area of business in China. The management would continue to monitor the efficiency of these operations and to look for ways to diversify the Group's income base. The Group now owns and operates four restaurants at prime locations in Macau. The management believes that the Group's restaurant business in Macau is quite promising as the economic activities in Macau are experiencing substantial growth as spurred by Macau's booming gaming and tourism industries. The management would continue to look for suitable locations to set up more restaurants in Macau to tap on such economic growth in Macau to enhance the Group's performance.

## DIRECTORS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 30 June 2007, the interests and long/short positions of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Hong Kong Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

### Long positions

Ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Mr. Chan Chak Mo	Beneficial owner (Note a)	238,998,622	51.78%
Mr. Yu Kam Yuen, Lincoln	Beneficial owner	280,200	0.06%

Note a: These shares, representing approximately 51.78% of the issued share capital of the Company, of which 6.67% are held by Puregain Assets Limited, a company beneficially wholly-owned by Mr. Chan and balance of 1.43% are held by Cash Smart Enterprises Limited, a company beneficially owned by Madam Leong On Kei, Angela and Mr. Chan.



**DIRECTORS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES,  
UNDERLYING SHARES AND CONVERTIBLE BONDS – continued**

Underlying shares of the convertible note of the Company

<b>Name of director</b>	<b>Capacity</b>	<b>Number of underlying shares held</b>	<b>Percentage of issued share capital of the Company</b>
Mr. Chan Chak Mo	Beneficial owner <i>(Note b)</i>	102,616,816	22.23%

*Note b:* As at 30 June 2007, Restaurante Chun Ieng – Sociedade Unipessoal Limitada, a company beneficially wholly-owned by Mr. Chan, was the holder of a convertible note in the principal amount of HK\$51,308,408 which could be converted upon exercise, into shares of the Company at HK\$0.5 per share, by no later than the close of business on 5 days before 25 December 2009. This constituted a long position in physically settled equity derivatives under the SFO.

Save as disclosed herein, none of the Directors nor their associates had any interests or long/short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2007.

## **SHARE OPTIONS**

Pursuant to the share option scheme adopted by the Company on 13 June 2002, the Company may grant options to the directors, non-executive directors, suppliers of goods and services, customers, advisors and consultants, shareholders of the Company or any of its subsidiaries for the primary purpose of providing incentives to them, to subscribe for shares in the Company with the payment of HK\$1 per offer. The total number of shares in respect of which options may be granted shall not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year shall not exceed 1% of the issued share capital of the Company. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's issued share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

No share options were granted since adoption of the scheme.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the Company has not been notified of any other relevant interests or long/short positions in the issued share capital of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The audit committee of the Company (comprising Mr. Cheung Hon Kit, Mr. Chui Sai Cheong and Mr. Chan Shek Wah, the Independent Non-executive Directors) has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the Period. The interim results for the Period have been reviewed by BDO McCabe Lo Limited, whose report on review of interim financial information is included in this report.

## CORPORATE GOVERNANCE

The Directors are able to conform that the Company complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2007.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, none of the Directors has not complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction for the six months ended 30 June 2007.

On behalf of the Board

**Chan Chak Mo**

*Managing Director*

Hong Kong, 18 September 2007

*As at the date hereof, the members of the board of directors of the Company comprise (i) Mr. Chan Chak Mo, the Managing Director, (ii) Mr. Chan See Kit, Johnny, the Chairman and executive Director, (iii) Mr. Lai King Hung, the deputy Chairman and executive Director, (iv) Ms. Leong In lan, the executive Director and (v) Mr. Cheung Hon Kit, Mr. Chui Sai Cheong, Mr. Yu Kam Yuen, Lincoln and Mr. Chan Shek Wah, the independent non-executive Directors.*



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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

TO THE SHAREHOLDERS OF INNOVO LEISURE RECREATION HOLDINGS LIMITED

(澤新遊樂控股有限公司)

*(incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have received the interim financial information set out on pages 13 to 32 which comprise the condensed consolidated balance sheet of Innovo Leisure Recreation Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on these interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION – continued**

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Financial Reporting Standards.

#### **BDO McCabe Lo Limited**

*Certified Public Accountants*

#### **Lee Ka Leung, Daniel**

Practising Certificate Number P01220

Hong Kong, 18 September 2007

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	01/01/2007 to 30/06/2007 (Unaudited) HK\$'000	01/01/2006 to 30/06/2006 (Unaudited) HK\$'000
Turnover	3	13,203	6,781
Other income	5	3,971	2,813
Depreciation and amortisation		(2,676)	(1,823)
Staff costs		(3,906)	(3,592)
Impairment of a trade receivable		(29,323)	–
Other operating expenses		(4,039)	(4,930)
Loss from operations		(22,770)	(751)
Impairment of amount due from a former director		(38,682)	–
Finance income		9	2
Finance costs		(5,981)	(4,258)
Loss before taxation		(67,424)	(5,007)
Income tax expense	6	(59)	–
Net loss for the period		(67,483)	(5,007)
Attributable to:			
Equity holders of the Company		(67,450)	(5,007)
Minority interests		(33)	–
		(67,483)	(5,007)
Loss per share			
– Basic (HK\$)	8	(0.95)	(0.08)
– Diluted (HK\$)	8	(0.91)	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	Notes	<b>30/06/2007 (Unaudited) HK\$'000</b>	31/12/2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	22,071	21,320
Goodwill	16	61,775	–
Total non-current assets		<u>83,846</u>	<u>21,320</u>
<b>Current assets</b>			
Inventories		5,219	5,118
Trade and other receivables	10	15,156	38,036
Amount due from a former director	11	–	38,682
Cash and cash equivalents		93,634	1,075
Total current assets		<u>114,009</u>	<u>82,911</u>
<b>Current liabilities</b>			
Trade and other payables	12	15,967	6,232
Amount due to a shareholder		336	–
Amount due to a director		18,521	235
Taxation		17,507	–
Bank loans due within one year	13	–	13,413
Bank overdraft		–	4,395
Total current liabilities		<u>52,331</u>	<u>24,275</u>
<b>Net current assets</b>		<u>61,678</u>	<u>58,636</u>
<b>Total assets less current liabilities</b>		<u>145,524</u>	<u>79,956</u>
<b>Non-current liabilities</b>			
Amount due to a shareholder		–	336
Amounts due to directors		–	86,036
Bank loans due after one year	13	–	28,601
Convertible note	14	46,755	–
Total non-current liabilities		<u>46,755</u>	<u>114,973</u>
<b>TOTAL NET ASSETS/(LIABILITIES)</b>		<u>98,769</u>	<u>(35,017)</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

		<b>30/06/2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31/12/2006 (Audited) HK\$'000
	<i>Notes</i>		
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	15	<b>46,160</b>	6,000
Reserves		<b>52,640</b>	(40,949)
		<hr/>	<hr/>
Equity/(deficiency) of shareholders' funds		<b>98,800</b>	(34,949)
<b>Minority interests</b>		<b>(31)</b>	(68)
		<hr/>	<hr/>
<b>TOTAL EQUITY/(DEFICIT)</b>		<b>98,769</b>	(35,017)
		<hr/> <hr/>	<hr/> <hr/>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Share capital	Share premium	Special reserve	Capital reserve	Convertible note reserve	Foreign exchange reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2) HK\$'000	(Note 3) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (audited)	6,000	18,197	34,800	1,301	-	736	(95,983)	(34,949)	(68)	(35,017)
Exchange difference on translation difference on operations outside Hong Kong	-	-	-	-	-	(597)	-	(597)	-	(597)
Net loss for the period	-	-	-	-	-	-	(67,450)	(67,450)	(33)	(67,483)
Total recognised income and expenses for the period	-	-	-	-	-	(597)	(67,450)	(68,047)	(33)	(68,080)
Equity component of convertible note	-	-	-	-	4,576	-	-	4,576	-	4,576
Contributed by equity holders for the period	-	-	-	9	-	-	-	9	-	9
Issued of new shares										
- on Placing	20,000	80,000	-	-	-	-	-	100,000	-	100,000
- on Subscription	4,000	16,000	-	-	-	-	-	20,000	-	20,000
- on Capitalisation of shareholders' loan	14,000	56,000	-	-	-	-	-	70,000	-	70,000
- on Acquisition of subsidiaries	2,160	8,641	-	-	-	-	-	10,801	-	10,801
Expenses incurred in connection with the issued of new shares	-	(3,590)	-	-	-	-	-	(3,590)	-	(3,590)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	70	70
<b>At 30 June 2007 (unaudited)</b>	<b>46,160</b>	<b>175,248</b>	<b>34,800</b>	<b>1,310</b>	<b>4,576</b>	<b>139</b>	<b>(163,433)</b>	<b>98,800</b>	<b>(31)</b>	<b>98,769</b>
At 1 January 2006 (audited)	6,000	18,197	34,800	-	-	632	(89,773)	(30,144)	-	(30,144)
Net loss for the period	-	-	-	-	-	-	(5,007)	(5,007)	-	(5,007)
<b>At 30 June 2006 (unaudited)</b>	<b>6,000</b>	<b>18,197</b>	<b>34,800</b>	<b>-</b>	<b>-</b>	<b>632</b>	<b>(94,780)</b>	<b>(35,151)</b>	<b>-</b>	<b>(35,151)</b>

*Note 1:* The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital and share premium of subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2002.

*Note 2:* The capital reserve represents the contribution by the equity holders.

*Note 3:* The convertible note reserve represents the equity element of convertible note.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	01/01/2007 to 30/06/2007 (Unaudited) HK\$'000	01/01/2006 to 30/06/2006 (Unaudited) HK\$'000
Note		
<b>Cash flows from operating activities</b>		
Net cash from operating activities	<u>10,819</u>	<u>917</u>
<b>Investing activities</b>		
Interest received	9	2
Purchase of property, plant and equipment	(3,188)	(4,522)
Proceeds from sale of property, plant and equipment	306	-
Acquisition of subsidiaries (net of cash and cash equivalents)	16 <u>21,328</u>	<u>-</u>
<b>Net cash from/(used in) investing activities</b>	<u>18,455</u>	<u>(4,520)</u>
<b>Financing activities</b>		
Interest paid	(5,949)	(5,488)
Repayment of bank borrowings	(42,014)	(3,362)
Repayment to ultimate holding company	-	(565)
Advances from directors	-	10,793
Proceeds on issue of shares, net of expenses	<u>116,410</u>	<u>-</u>
<b>Net cash from financing activities</b>	<u>68,447</u>	<u>1,378</u>
Net increase/(decrease) in cash and cash equivalents	97,721	(2,225)
Cash and cash equivalents at 1 January	(3,320)	641
Effect in foreign exchange rate changes	(767)	-
Cash and cash equivalents at 30 June	<u>93,634</u>	<u>(1,584)</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	93,634	1,276
Bank overdraft	-	(2,860)
	<u>93,634</u>	<u>(1,584)</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – continued**

*FOR THE SIX MONTHS ENDED 30 JUNE 2007*

**Significant non-cash transactions**

1. On 26 June 2007, the Group issued new ordinary shares and convertible note at HK\$10.8 million and HK\$51.3 million respectively as consideration for the acquisition of the entire issued capital of the Kanysia Group.
2. On 26 June 2007, the Group capitalised the shareholder's loan due to Mr. Chan Chak Mo of HK\$70 million.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied for the first time the following new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA which are effective for financial year beginning 1 January 2007.

- |                               |  |
|-------------------------------|--|
| • HKAS 1 Amendment            | Capital Disclosures  |
| • HKFRS 7                     | Financial Instruments: Disclosures   |
| • HK(IFRIC)-Interpretation 7  | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| • HK(IFRIC)-Interpretation 8  | Scope of HKFRS 2   |
| • HK(IFRIC)-Interpretation 9  | Reassessment of Embedded Derivatives   |
| • HK(IFRIC)-Interpretation 10 | Interim Financial Reporting and Impairment   |

The adoption of these new HKFRSs has no effect on the Group's interim financial statements. Accordingly, no prior period adjustment has been recognised.

## 2. PRINCIPAL ACCOUNTING POLICIES – continued

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Interpretation 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – Interpretation 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

The Group is in the process of making an assessment of the impact of these HKFRS and is not yet in a position to state what impact of all these new HKFRSs would have on its results of operations and financial position.

## 3. TURNOVER

Turnover represents the net amounts received and receivables from third parties in connection with the operation of carnivals, provision of advertising and catering services inside the carnivals and operation of restaurants.

	<b>01/01/2007</b>	01/01/2006
	<b>to</b>	to
	<b>30/06/2007</b>	30/06/2006
	<b>HK\$'000</b>	HK\$'000
Income from admission fee, mechanical rides and redemption games	<b>7,274</b>	2,843
Advertising income	<b>4,628</b>	3,837
Sale of food and beverages	<b>1,301</b>	101
	<hr/>	<hr/>
	<b>13,203</b>	6,781
	<hr/>	<hr/>

#### 4. SEGMENT INFORMATION

The Group is principally engaged in the operations of restaurants and carnival amusement parks.

##### Business segments

With the acquisition of Kanysia Investments Limited and its subsidiaries, collectively known as ("Kanysia Group") on 26 June 2007, the Group's principal segments widened to encompass the operation of restaurants. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below:

##### *Income statement*

For the six months ended 30 June 2007

	<b>Carnival amusement parks (Unaudited) HK\$'000</b>	<b>Restaurants (Unaudited) HK\$'000</b>	<b>Group (Unaudited) HK\$'000</b>
<b>REVENUE</b>			
Sales	12,168	1,035	13,203
Other income	3,956	15	3,971
	<hr/>	<hr/>	<hr/>
Total revenue	16,124	1,050	17,174
	<hr/>	<hr/>	<hr/>

4. SEGMENT INFORMATION – continued

	<b>Carnival amusement parks (Unaudited) HK\$'000</b>	<b>Restaurants (Unaudited) HK\$'000</b>	<b>Group (Unaudited) HK\$'000</b>
<b>RESULTS</b>			
Segment results	9,462	439	9,901
Impairment of a trade receivable			(29,323)
Unallocated costs			(3,348)
Loss from operations			(22,770)
Impairment of amount due from a former director			(38,682)
Finance income			9
Finance costs			(5,981)
Loss before taxation			(67,424)
Taxation			(59)
Net loss for the period			(67,483)

For the six months ended 30 June 2006, the Company's operation was regarded as a single segment, being an enterprise engaged in the operation of carnival amusement parks.

## 5. OTHER INCOME

	<b>01/01/2007 to 30/06/2007 HK\$'000</b>	01/01/2006 to 30/06/2006 HK\$'000
Guarantee profit income	<b>2,908</b>	1,010
Others	<b>1,063</b>	365
Waive of loan interest due to a shareholder	-	790
Waive of loan interest due to a director	-	648
	<b>3,971</b>	2,813

The guarantee profit income represents the income received from an independent third party in accordance with the profit sharing agreement in relation to the carnival in Shaoguan, China.

## 6. TAXATION

	<b>01/01/2007 to 30/06/2007 HK\$'000</b>	01/01/2006 to 30/06/2006 HK\$'000
The tax charge comprises:		
Current period:		
Macau Complementary Income Tax	<b>59</b>	-

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for Hong Kong Profits Tax for the current and previous periods.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits for the period. The maximum tax rate is 12% for the six months ended 30 June 2007.

The subsidiaries in Mainland China (the "PRC") are subject to an Enterprise Income Tax ("EIT") at rate of 33% (2006: 33%). No provision for EIT has been made as the PRC subsidiaries have aggregate tax losses brought forward for the current and previous periods.



## 6. TAXATION – continued

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. For those subsidiaries currently subjected to 33% income tax rate, it is expected that the applicable rate will be reduced to 25% from 1 January 2008. However, the new tax law has not set out the details as to how the existing tax rate will gradually increase or decrease to the standard rate of 25%. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law, which if any, will be reflected in the Group's 2007 annual financial statements. The enactment of the new tax law is not expected to have any financial effect on the financial statements of the Company.

## 7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	<b>01/01/2007 to 30/06/2007 HK\$'000</b>	01/01/2006 to 30/06/2006 HK\$'000
Loss attributable to equity holders	<b>(67,450)</b>	(5,007)
Adjustment for interest on convertible note	<b>44</b>	–
	<hr/>	<hr/>
Loss attributable to equity holders for diluted loss per share	<b>(67,406)</b>	(5,007)
	<hr/>	<hr/>
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares in issue	<b>71,093,990</b>	60,000,000
Effect of dilutive potential ordinary shares on convertible note	<b>2,834,719</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted loss per share	<b>73,928,709</b>	60,000,000
	<hr/>	<hr/>

The number of shares for the six months ended 30 June 2006 was adjusted for effects of share consolidation which was 600,000,000 shares as formerly reported. On 26 June 2007, every 10 shares of the Company of HK\$0.01 each was consolidated into 1 share of HK\$0.1 each. The comparative figures have been adjusted to take the effect of consolidation into account.

## 9. CAPITAL EXPENDITURE

During the six months ended 30 June 2007, the Group incurred approximately HK\$3,188,000 (1.1.2006 to 30.6.2006: HK\$4,522,000) on acquisition of property, plant and equipment.

## 10. TRADE AND OTHER RECEIVABLES

	<b>30/06/2007</b> <b>HK\$'000</b>	31/12/2006 HK\$'000
Trade receivables	<b>13,155</b>	33,912
Other receivables	<b>2,001</b>	4,124
	<hr/> <b>15,156</b> <hr/>	<hr/> 38,036 <hr/>

Notes:

- (a) The above amounts included amounts due from related companies of HK\$765,000 (2006: HK\$Nil).
- (b) The following is an ageing analysis of trade receivables at the balance sheet date:

	<b>30/06/2007</b> <b>HK\$'000</b>	31/12/2006 HK\$'000
Ageing		
0 to 90 days	<b>12,476</b>	4,483
91 to 365 days	<b>679</b>	106
Over 365 days	<b>29,323</b>	29,323
	<hr/> <b>42,478</b> <hr/>	<hr/> 33,912 <hr/>
Impairment on trade receivable	<b>(29,323)</b>	–
	<hr/> <b>13,155</b> <hr/>	<hr/> 33,912 <hr/>

In June 2004, the Group filed a claim to the Hong Kong High Court against a trade debtor for the sale of theme park tickets of HK\$29,323,000. In the opinion of the directors, with the claim being still pending for court hearing for a long while, impairment on this amount has been made in the financial statements during the period.

## 11. AMOUNT DUE FROM A FORMER DIRECTOR

The amount is unsecured, interest-free and has no fixed repayment terms.

In July 2004, the Group filed a claim to the Hong Kong High Court against a former director, Mr. Li Tat Ting, for an amount of HK\$38,682,000. In the opinion of the directors, with the claim being still pending for court hearing for a long while, impairment on this amount has been made in the financial statements during the period.

## 12. TRADE AND OTHER PAYABLES

	<b>30/06/2007</b> <i>HK\$'000</i>	31/12/2006 <i>HK\$'000</i>
Trade payables	<b>5,303</b>	–
Other payables	<b>10,664</b>	6,232
	<b>15,967</b>	6,232

The following is an ageing analysis of trade payables at the balance sheet date:

	<b>30/06/2007</b> <i>HK\$'000</i>	31/12/2006 <i>HK\$'000</i>
Ageing		
0 to 90 days	<b>5,048</b>	–
91 to 365 days	<b>255</b>	–
	<b>5,303</b>	–

## 13. BANK LOANS

During the six months ended 30 June 2007, the Group repaid bank loans totalling HK\$42,014,000 (1.1.2006 to 30.6.2006: HK\$3,362,000).

#### 14. CONVERTIBLE NOTE

On 26 June 2007, the Company issued a Hong Kong dollar denominated convertible note with a principal amount of HK\$51,308,000 (the "Convertible Note"). The holder of the Convertible Note is entitled to convert the principal amount into ordinary shares of the Company at an initial conversion price of HK\$0.5 per share, during the period from 26 June 2007 to 25 December 2009. Unless previously converted, the Company shall repay the Convertible Note on 25 December 2009. Interest of 3% per annum will be paid every 6 months from the date of issue.

The Convertible Note contains two components: liability and equity elements. The equity element is presented in equity heading "convertible note reserve". The effective interest rate of the liability is about 7%.

The movement of the liability component of the Convertible Note for the period is set out below:

	<b>30/06/2007</b>	31/12/2006
	<b>HK\$'000</b>	HK\$'000
Principal amount	<b>51,308</b>	–
Equity component	<b>(4,576)</b>	–
	<hr/>	<hr/>
Liability component at date of issue	<b>46,732</b>	–
Interest charged	<b>44</b>	–
Interest payable	<b>(21)</b>	–
	<hr/>	<hr/>
Liability component at 30 June 2007	<b>46,755</b>	–
	<hr/>	<hr/>

15. SHARE CAPITAL

	Number of shares		Total value	
	30/06/07 (unaudited) '000	31/12/06 (audited) '000	30/06/07 (unaudited) HK\$'000	31/12/06 (audited) HK\$'000
<b>Authorised:</b>				
At the beginning of period/year				
Ordinary shares of HK\$0.01 each	3,000,000	3,000,000	30,000	30,000
Share consolidation	(a) (2,700,000)	–	–	–
Increase in authorised share capital	(b) 700,000	–	70,000	–
At the end of period/year				
Ordinary shares of HK\$0.1 each (2006: HK\$0.01 each)	1,000,000	3,000,000	100,000	30,000
<b>Issued and fully paid:</b>				
At the end of period/year				
Ordinary shares of HK\$0.01 each	600,000	600,000	6,000	6,000
Share consolidation	(a) (540,000)	–	–	–
Share issued on (ordinary shares of HK\$0.1 each):				
– placing of new shares	(c) 200,000	–	20,000	–
– subscriptions of new shares	(d) 40,000	–	4,000	–
– capitalisation of shareholders' loan	(e) 140,000	–	14,000	–
– acquisition of subsidiaries	(f) 21,602	–	2,160	–
At the end of period/year				
Ordinary shares of HK\$0.1 each	461,602	600,000	46,160	6,000

By a resolution passed at the special general meeting of the Company held on 18 June 2007, it was approved that with effect from 26 June 2007:

(a) Share consolidation

The Company's authorised and issued share capital of the Company was consolidated for every 10 ordinary shares of HK\$0.01 each into one ordinary share of HK\$0.10 each.

## 15. SHARE CAPITAL – continued

### (b) Increase in authorised share capital

The Company's authorised share capital was increased to HK\$100,000,000 by the creation of an additional 700,000,000 ordinary shares of HK\$0.1 each, pari passu with the existing shares of the Company.

### (c) Placing of new shares

The Company placed 200,000,000 ordinary shares of HK\$0.1 each at a price of HK\$0.5 to the placing agents.

### (d) Subscription of new shares

A director, Mr Chan Chak Mo ("Mr. Chan"), subscribed for 40,000,000 ordinary shares of HK\$0.1 each at a price of HK\$0.5 in cash.

### (e) Capitalisation of shareholder's loan

The Company capitalised an aggregate of HK\$70 million of the outstanding shareholder's loan due to Mr. Chan by issuing and allotting to him 140,000,000 ordinary shares at a price of HK\$0.50 per share.

### (f) Acquisition of subsidiaries

The Company issued 21,602,422 ordinary shares at a total consideration of HK\$10,801,000 as part of the consideration of acquisition of the subsidiaries.

## 16. ACQUISITION OF SUBSIDIARIES

On 26 June 2007, the Group acquired 100% of the issued share capital of the Kanysia Group for the consideration of HK\$62,109,000, of which HK\$10,801,000 was settled by issue of 21,602,422 new shares of the Company at a price of HK\$0.5 per share and the balance of HK\$51,308,000 was settled by issue of a convertible note. The issue price of the new shares was determined following arm's length negotiation between the vendor, Mr. Chan and the Company in particular with reference to the issue price per share under the placing to the placing agents. The amount of goodwill arose as a result of the acquisition was HK\$61,775,000. Goodwill arising in the business acquisition because the consideration exceeded the value of the tangible assets acquired and is attributable to the expected revenue growth and future market development of the Kanysia Group. In the opinion of the directors, since the Kanysia Group is expected to have sufficient earnings and cash inflows in future, no impairment of goodwill is considered necessary.

## 16. ACQUISITION OF SUBSIDIARIES – continued

The net assets of the Kanysia Group acquired in the transaction and the goodwill arising are as follows:

	<b>Fair value</b> <b>HK\$'000</b>
Property, plant and equipment	439
Trade and other receivables	3,995
Cash and cash equivalents	21,328
Trade and other payables	(7,633)
Amount due to a director	(277)
Taxation	(17,448)
	<hr/>
Net assets acquired	404
Minority interest	(70)
Goodwill	61,775
	<hr/>
	62,109
	<hr/>
Total consideration satisfied by:	
– Allotment and issue of ordinary shares ( <i>note 15(f)</i> )	10,801
– Issue of Convertible Note ( <i>note 14</i> )	51,308
	<hr/>
	62,109
	<hr/>
	<b>HK\$'000</b>
Net cash inflow arising in acquisition:	
Cash and cash equivalents acquired	21,328
	<hr/>

Since the acquisition date, the Kanysia Group has contributed a profit of HK\$388,000 to the Group's results. If the acquisition had occurred on 1 January 2007, the Group's turnover for the period would have an increase of HK\$39,413,000 to HK\$52,616,000 and the Group's loss for the period would have a decrease of HK\$18,352,000 to HK\$49,131,000.

## 17. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2007, the Group entered into the following transactions with related parties:

The Group incurred interest expenses of HK\$9,000 (1.1.2006 to 30.6.2006: HK\$271,000) and HK\$1,217,000 (1.1.2006 to 30.6.2006: HK\$975,000) payable to its shareholder and director respectively.

A shareholder of the Group waived interest incurred during current period HK\$9,000 (1.1.2006 to 30.6.2006: HK\$271,000) against the Group.

A director of the Group waived interest incurred during current period HK\$1,217,000 (1.1.2006 to 30.6.2006: HK\$975,000) against the Group.

Mr. Chan has subscribed 40,000,000 shares and a further 140,000,000 shares to capitalise an aggregate of HK\$70 million outstanding loan due to him at HK\$0.5 per each share. For details, please refer to Notes 15(d) and (e).

Mr. Chan, as one of the vendors of the Kanysia Group, disposed the entire issued share capital of Kanysia Investments Limited at the consideration of HK\$62.1 million to the Company, of which 21,602,422 shares were allotted to him as part of the consideration. For details, please refer to Note 15(f).

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management was as follows:

	<b>30/06/2007</b> <b>HK\$'000</b>	30/06/2006 HK\$'000
Basic salaries and allowance	<b>1,732</b>	1,756
Retirement scheme contributions	<b>26</b>	26
	<b>1,758</b>	1,782



## 18. OPERATING LEASE COMMITMENTS

The total future of minimum lease payments are due as follows:

	<b>30/06/2007</b> <b>HK\$'000</b>	31/12/2006 HK\$'000
Within one year	<b>776</b>	722
Within two to five years	<b>663</b>	1,419
Over five years	<b>6,846</b>	5,217
	<hr/> <b>8,285</b> <hr/>	<hr/> 7,358 <hr/>

The Group was committed to make future minimum lease commitment in respect of land and buildings rented under non-cancellable operating leases which typically runs for the period from one year to twenty years.

## 19. CAPITAL COMMITMENTS

At 30 June 2007, the Group had commitments of HK\$3,500,000 (31.12.2006: HK\$6,525,000) in capital contribution in PRC subsidiaries.

## 20. POST BALANCE SHEET EVENT

On 16 August 2007, the Group acquired from a director, Mr. Chan, 100% equity interests of Restaurante Chun Ieng – Sociedade Unipessoal Limitada, and a loan of MOP6,880,778 at the total consideration of HK6,835,603. For details, please refer to the Company's announcement dated 16 August 2007.

On 23 August 2007, the Group entered a conditional sale and purchase agreement with a director, Mr. Chan to acquire 100% equity interests of Restaurante Chak San, Limitada, and a loan of MOP907,833 at the total consideration of HK\$916,333. For details, please refer to the Company's announcement dated 31 August 2007.