# DORE HOLDINGS LIMITED
# 多金控股有限公司*

Incorporated in Bermuda with limited liability
Stock Code : 628


ANNUAL REPORT **2009**

*For identification purpose only

# Table of Content

# Corporate Information

## BOARD OF DIRECTORS

**Executive Directors**

Lum Chor Wah, Richard
(Resigned on 14 November 2008)
Pun Yuen Sang
Tang Hin Keung, Alfred
(Resigned on 1 November 2008)
Yao Wai Kwok, Daniel
(Appointed on 1 November 2008)
Leung Wai Man
(Appointed on 10 March 2009)

**Independent Non-executive Directors**

Leung Chi Hung
Tsui Robert Che Kwong
Cheung Yim Kong, Johnny
Lee Chan Wah
(Appointed on 10 March 2009)

## COMPANY SECRETARY

Leung Wai Man

## AUDITORS

HLB Hodgson Impey Cheng
*Chartered Accountants*
*Certified Public Accountants*

## PRINCIPAL BANKERS

ICBC (Asia)
DBS Bank

## SOLICITORS

**As to Hong Kong Law**

Michael Li & Co.

**As to Bermuda Law**

Conyers Dill & Pearman

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

Unit 3810
Shun Tak Centre West Tower
168–200 Connaught Road Central
Hong Kong

## SHARE REGISTRARS

**Principal Share Registrar and Transfer Office**

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
HM08 Bermuda

**Hong Kong Branch Share Registrar and Transfer Office**

Union Registrars Limited
Rooms 1901-02, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

## INVESTOR RELATIONS

www.dore-holdings.com.hk

Times in, times out. Another year has come and passed by. In view of the substantial change in the market sentiment during the year, the on and off coming out of "news" about the Macau gaming sector, some of which are true while the others are purely rumors for designated purpose and the difficulties that the Company is facing, the Board would like to update shareholders what they know and encounter about the sector and in presenting a more objective picture about the future.

The year 2008/09 was tough for all businesses. Economies slipped into recession and the credit crunch put many businesses to bankrupt or close to bankrupt. Fiscal 2008/09 is a year of extreme difficulties for the Macau gaming sector as a whole – full of challenge via a mixture of internal competition issue and external slowing global economy and continued financial market instability. Had it not for the Group's action in acquiring the profit stream of Joli, the leading junket at Wynn, Macau, a substantial drop in revenue is unavoidable.

The Macau, during the 2008/09, has been hard hit due to the following factors:

(a) visa restriction – the continuous tightening of visa in (i) prolonging the timing required in between the approval of visa to Macau, (ii) the prohibiting of making use of Hong Kong visa to travel to Macau and (iii) the requirement of going back to home city of renewing visa to visit Macau under multiple use Scheme for the case of business travelers. Nonetheless, even though the overall visitors number has risen irrespective of the visa restrictions measures, it does not help the VIP sector;

(b) the downturn in worldwide economy – the fall of the Lehman Brothers and the subsequent financial tsunami worldwide result in the substantial drop in the wealth of the public. The industrialists are of no exception. They by now have to pay more attention in chasing after orders as business has dropped by more than 50%. This being said, though some high net worth individuals have still preserved the wealth. They are extra prudent in spending and as such allocate less to expenses in Macau. A poverty cycle effect is that junkets are more reluctant to extend credit to customers in order to play safe in avoiding credit exposure. A further drop in rolling turnover resulted. An indirect effect is that entertainment "giants" such as Las Vegas Sands is unable to raise money from the capital market which results in suspension of capital expenditure/construction or the non-availability of new "points of visit"; and

(c) the massive anti-money laundering exercise enforced in the People's Republic of China ("PRC") whereby the head of a major electrical appliance chain store is suspected to be retained, the retention of the influential person of a major junket in Macau and the retention of a number of senior officials in both the Ministry of Commerce and the Ministry of Police (Public Security).

Apart from the various factors as depicted above, the VIP business are further affected due to the inability to repay the credit extended by customers either to junkets or to casinos direct due either to their own liquidity issue or to the fact that the PRC government has exercised stronger action in hampering the grey market of RMB/HK$ exchange or the inability of customers in going to Macau (a usual practice for customers is that customers would repay certain debt outstanding while getting back some non-negotiable chips when they travel to Macau again). Hence, the liquidity of junkets is tightened further which results in another poverty cycle and lower the VIP gaming business. In fact, following a peak of rolling turnover during May 2008, there is a general drop in rolling turnover generated by VIPs subsequently, both on the month to month and the year to year basis.

The apparent "not so worse" result as shown in the "revenue" figures published by the Government of the Macau SAR is due to the higher net win rate vis-a-vis the past, the even more aggressive extension of credit by certain junkets in a view to boost rolling turnover in preparing the corporate plan in raising money from the capital market and the increase contribution from the "mass market" (whereas the VIP market is shrinking).

With the aggressive chasing after of the business by a super junket for reason mentioned above, the originally proposed commission cap amongst the five super junkets had fallen through and business has been shifted to that particular junket as it is paying high commission that is beyond the rate other junket partners including our junket partners can pay. This is because our junket partners have to pay us 0.4% of the rolling turnover and that the gaming room facilities become "aged" comparing to the new wing (for the case of Wynn, Macau).

This being said, the impact on the VIP business would even be greater if this action has been singled out.

The Group is of no exception to the general rule of dropping in business. Even though the Group is having the prudent businessmen as it principal source of customer base and operating at a sector generally different from the majority which relies heavily on the PRC, the Group business has also been affected. This is due more to the indirect effect – customers focus more on their business to survive through this financial crisis and in certain cases, their operation may be affected as to different magnitude by the failure of some of their customers.

The overall performance of the Group for the current year 2008/09, nonetheless, is still acceptable when excluding the non-cash items of impairment loss in respect of intangible assets. This is a result of,

(1) the diversified customers base of the Group's different junket operators and the synergy effect created therein;

(2) the profit guarantee provided by the various junkets during the acquisitions (however, the majority of which had lapsed or is going to lapse soon); and

(3) the vision in anticipating the potential impact by conducting additional acquisitions during May 2008 and the balance share of profit stream of the operation of Joli Entretenimento Socieade Unipessoal Limitada, (the "Joli"), another junket at Wynn, Macau during November 2008; thereby, broaden further the customers base and diversify the risk of over-reliance on certain particular junkets.

In fact, had it not for the acquisition of the profit stream of Joli, the Group's revenue would be dropped by >30% on an apple to apple basis. The contribution of the profit stream of Joli is more than double that of the aggregate contribution of profit stream from Sat Ieng, Dore and Nove.

## FINANCIAL REVIEW

For the year ended 31 March 2009, the Group was still engaged in two business streams: (i) gaming and entertainment sector; and (ii) trading sector. With the strong foundation established during the years over the Macau gaming and entertainment sector and in view of the uncertainty in collection of receivables derived from the trading operation, the Group would continue focusing on the gaming and entertainment business in the years to come while keeping an eye in identifying profitable and safe trading business.

Turnover of the Group was approximately HK$439,720,000, representing a 4.96% increase over the corresponding figure of approximately HK$418,910,000 in 2008. The Group's revenue was only marginally higher than that of last year and this was in line with the difficulties facing the Macau gaming sector during the year. In fact, had it not for the contribution derived from the acquisitions conducted by the Group during the year, the Group would encounter a drop in revenue.

Administrative expenses amounted to approximately HK$15,760,000 for the year ended 31 March 2009, an 3.54% increase from approximately HK$15,221,000 for 2008. The increase was mainly attributable to the relevant legal and professional expenses for acquiring Leading Century International Limited ("Leading Century"), East & West International Inc. ("East & West") and Pacific Force Inc. ("Pacific Force") for involving further into the Macau entertainment and gaming sector, the additional headcounts added as a result therefrom, and the expenses relating to the promotion, traveling and publicity role associated with the increased attention of the Company's shares by the fund managers.

For the year ended 31 March 2009, finance cost amounted to approximately HK$127,249,000, increased as compared to approximately HK$58,058,000 for the year 2008. The increase was attributable to the interest arisen as a result of the convertible bonds and the promissory notes issued for the acquisition of several subsidiaries. Apart from these, the Group had no other debt. If these are excluded, the Group would have a net cash position and a bank interest income of approximately HK$15,000 has been recorded. The substantial drop in interest income is mainly a result of the substantial drop in interest rate following the financial crisis and the active intervening of the Government of Hong Kong SAR in maintaining the peg with the US dollars via injection of money to the financial system, thereby, resulting in the extremely ease liquidity of the Hong Kong dollars treasury market.

**FINANCIAL REVIEW** (Continued)

Even though there is a positive contribution of profit streams from various junkets acquired, the Group's net figure still resulted in a net loss position of approximately HK$577,144,000, as compared to the net loss of approximately HK$774,025,000 for 2008. Similar to the annual result of 2007/08, the net loss was a result of non-cash impairment – a net profit before non-cash items of approximately HK$333,330,000 is a better reflection of the Group's actual operation result. The ultimate loss is a result of the impairment losses due to the inability to achieve the sales forecast and the downturn in Macau gaming sector. As there is a general drop in rolling turnover generated by VIPs during the year and the inability to achieve the sales forecast by our business partners, the Group recognized impairment losses in respect of the Sat Ieng Profit Agreement, the Dore Profit Agreement and the Nove Profit Agreement of approximately HK$340.82 million, HK$354.74 million, HK$311.02 million respectively.

| | **Year ended 31 March 2009** *(HK$'000)* |
|---|---|
| Loss attributable to the equity holders of the Company | (577,144) |
| *Add:* Non-cash items | |
| Fair value changes on financial assets at fair value through profit or loss | 32,742 |
| Fair value changes on derivative financial instruments | 66,779 |
| Impairment of intangible assets | 1,006,584 |
| Impairment of goodwill | 73,522 |
| Loss on early redemption of convertible bond | 15,240 |
| Loss on cancellation of promissory note | 72 |
| Notional interest of convertible bonds and promissory notes | 33,958 |
| Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost | (202,131) |
| Gain on cancellation of convertible bonds | (116,292) |
| **Profit after striping out non-cash items** | **333,330** |

Basic and diluted loss per share for the year under review were both HK41.83 cents (2008: basic and diluted loss per share of HK69.59 cents).

Similar to 2008, as the Group's revenue is derived from the sharing of profit streams from investments in gaming and entertainment related business in Macau, there is no cost directly associated with it and hence, no cost of sales has been recorded. Gross margin is 100% (2008: 100%). The Group's operating cost is restricted to administrative expenses.

## LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group funded its operation through a combination of equity financing and debt financing, including issuance of new shares, contribution from its investee company, issuance of promissory notes and convertible bonds. Financial position of the Group has remained reasonable during the year. During the year ended 31 March 2009, total assets of the Group were approximately HK$2,719.6 million (2008: HK$2,295.1 million) which were financed by shareholders' funds of approximately HK$841.3 million (2008: HK$1,185.1 million), current liabilities of approximately HK$79.2 million (2008: HK$21.9 million) and non-current liabilities of approximately HK$1,799.1 million (2008: HK$1,088.1 million). The Group funded its operation by cash generated from its operating activities, convertible bonds and promissory notes.

At 31 March 2009, the cash and cash equivalents of the Group amounted to approximately HK$51,014,000 and the Group's current ratio was 2.40 (2008: 9.47).

At 31 March 2009, the total liabilities of the Group amounted to approximately HK$1,878,360,000, mainly represents the convertible bonds and promissory notes issued for acquiring several subsidiaries. The Group's gearing ratio as at 31 March 2009, expressed as a percentage of total borrowings over total equity was 2.23 (2008: 0.94).

## CAPITAL STRUCTURE

During the year, the Company issued:

(i) 82,400,000 new shares in April 2008, being the issue of new shares upon the exercise of the conversion rights attached to the first convertible bond;

(ii) 224,000,000 new shares in May 2008, being the issue of consideration shares for the acquisition of the 100% of Leading Century;

(iii) 20,000,000 new shares in May 2008 being the issue of new shares upon the exercise of the conversion rights attached to the first convertible bond;

(iv) 347,848,000 new shares in October 2008 at HK$0.17 per share, being the top up shares following the placing;

(v) 22,800,000 new shares in October 2008, being the issue of new shares upon the exercise of the conversion rights attached to the first convertible bond;

(vi) 81,151,576 new shares in November 2008 being the issue of consideration shares for the acquisition of the 100% of Pacific Force;

(vii) 109,552,738 new shares in January 2009 by way of open offer to the qualifying shareholders for the purpose of financing possible diversified investments and increasing general working capital after share consolidation.

On 19 December 2008, 2,191,054,769 shares at HK$0.10 per share were consolidated into 219,105,476.9 shares of HK$1.00 per share.

## BORROWINGS

At 31 March 2009, the Group's borrowings in promissory notes amounted to approximately HK$502.6 million (2008: HK$449.0 million) and in convertible notes amounted to approximately HK$1,053.1 million (2008: HK$612.1 million) of which all repayable after one year.

Finance costs for the year amounted to approximately HK$127.2 million (2008: HK$58.1 million) an increase of approximately HK$69.1 million as compared with corresponding period in 2008.

## CHARGES ON GROUP ASSETS

At 31 March 2009, none of the Group's assets was pledged to any financial institution for facilities (2008: Nil).

## CONTINGENT LIABILITIES

At 31 March 2009, the Group had no contingent liabilities (2008: Nil).

## 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 a majority of the inflow and outflow is denominated in Hong Kong dollars, 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.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Details of acquisition of subsidiary and disposals of subsidiaries of the Group during the year are set out in Notes 32 and 33 to the financial statements: acquisition of subsidiaries and disposal of subsidiaries.

## EMPLOYEES

Similar to the past, the Group has adopted the need only approach in recruiting employees. As at 31 March 2009, the Group has a total of 7 staff, represented by 3 executive directors, 3 general managers and 1 account officer. The 3 general managers are respectively Mr. Tang Chien Chang, Mr. J. Scolari and Mr. Chen Yi-ming who are the owners of the respective junkets at Sands Macao, Wynn Macau (Dore) and Venetian Macau respectively and they are responsible for overseeing the business volume and progress of Worth Perfect, Triple Gain and Leading Century and monitoring the development of Macau gaming industry which are relevant and crucial to the continuous success of the Group. On the other hand, they would not be appointed directors of the Company nor carry out any other supervisory role.

Total staff costs, including directors' remuneration amounted to approximately HK$5.9 million (2008: HK$5.1 million). The increase is due to the extra headcount and the increase in salary to selected employees in line with the additional workload involved commensurate to the market.

## EMPLOYEES (Continued)

The objective of the Group's remuneration policy is to attract, motivate and retain talented employees or consultants to achieve the Group's long-term corporate goals and objectives. In order to achieve this, the Group has committed to remunerating its employees and consultants in the manner that is market competitive, consistent with good industry practices as well as meeting the interests of shareholders. The remuneration policy and packages of the Group's employees and consultants are regularly reviewed by the Board. Apart from fixed compensation which is normally reviewed on an annual basis based on performance and other relevant factors, provident fund scheme, medical insurance and discretionary bonuses, share options are also granted to employees and consultants according to the assessment of individual performance with reference to the value of share option, market positioning, job security and the individual contribution to the Group. As the Group sees the staff as the most valuable asset, the Group has committed to the development and growth of all employees and considered training and development a life-long process. Appropriate courses would be offered to suitable candidates.

## PROSPECTS

Macau's gaming revenue has continued to grow at an unprecedently high pace in 2007 and the first six months of 2008. It is a nature inclination to believe that the growth trend would persist in the future, of which we are of no exception. However, the trend changes and business remains some sort flat or even drop vis-à-vis the year of 2007 subsequently. This has caused us to reconsider the various variables in order to better evaluate the outlook of the gaming and entertainment sector in Macau in setting our future strategy.

If one has kept a close eye on the development of gaming sector of Macau and read the figures in between the lines, it is obvious that the Macau has entered into the stage of winter starting the second half of 2008. The situation has not been improved sinceforth due to the general global economic conditions and specific challenges to the gaming industry. Some typical evidence being a number of unfinished projects, unfulfilled commitments and cutbacks in employment (in fact, proposed layoff of additional 4,000 staff by a major concessionaire lately) and procurement of services. This fact has, on the other hand, been on and off for certain reasons, distorted by spreading rumors such as, the loosening of visas, the commission cap, ... The known fact is that there is not such loosening even up to now and the revenue figures maintain at roughly the same level (some minor fluctuation due to the seasonal effect and the change in net win rate effect). We do not anticipate the situation would be improved or new policy be implemented until the end of the year when the new Chief Executive of the Macau SAR comes to place.

This being said, the participants of the gaming sector have at least another half year from now of difficulty. Competition in the Macau gaming industry increased in intensity, particularly in the VIP gaming segment both amongst the junkets themselves as well as from the casinos.

**PROSPECTS** (Continued)

The situation for junkets is even more difficult due to the overall tightening in credit market conditions while some other junkets have loosen the credit policy and paid extra high commission paid to agents (sub-junkets) in order to lure business for some reasons. Our two partners at Sands and Wynn, i.e. Sat Ieng and Dore had already indicated the difficulty in maintaining the business level under the current market situation with the requirement of 0.4% of the rolling turnover having to be given to the listed company. The other side of the coin is that concession holders, in order to lure customers from junkets, have increased the commission as well as special services provide to the VIPs (e.g. provision of private jet service, ...); thereby, have increased the cost of junkets in retaining their customers and in certain incidents, the junkets have even lost their customers to concession holders.

Looking forward, in implementing our strategy, we have to strive the balance between the anticipated return with the financing cost. This approach has also been followed by some of the Group's peer – termination of a potential acquisition in view of the value of the "profits", the share price and the market potential and to be replaced by another one of much smaller scale.

The Group has acquired the profit stream of new junket at Wynn, the Joli and the board is proud to note that the performance is so far satisfactory. In fact, had it not for the contribution of this junket, the revenue of the Group for the year 2008/09 would drop comparing to that of 2007/08.

On the other hand, it is apparent that the market for certain of the Group's junket partners are operating would not be good. As such, the Group has taken a strategic decision to slow down the development in gaming and entertainment sector and reassess its investment. Apart from the macro picture of economic crisis, credit, the unfair competition from some of the junkets, as mentioned above, the 2 junkets in issue have extra problems. For the case of Sat Ieng, the business of the same has been affected by the number of unfavorable news surrounding the Las Vegas Sands and for the case of Dore, the junket at Wynn, Macau, it business has been affected following the opening of Joli which is located in the new wing of Wynn, Macau which has more private rooms for VIPs.

It is anticipated that with the opening of the City of Dream by June 2009, additional business from the same pool would be lured that way and further hurt the outlook of the Group's partners.

Hence, the Group has adopted the painful move in disposing the profit streams from one junket at Sands and another one at Wynn, i.e. Sat Ieng and Dore in view of the market potential, the interest incurred due to the convertible bonds and the promissory notes and the obligation to repay the convertible bonds and the promissory notes when time comes. The basic theme is to strengthen our balance sheet by reducing our debt and interest payments while retaining cash holdings. We remain focused on delivering shareholder value.

To sum, the year 2009 remains challenging with the turmoil in the global banking sector expected to be spreading to the real economy, resulting in an inevitable global economic slowdown. The Group, in order to deliver the acceptable result to shareholders under this extraordinary global economic pressure, would adopt a particular prudent approach in weathering through this long winter. We sincerely hope that the hard time can pass away by the end of year 2009 when the new Chief Executive of the Macau SAR is in place, the PRC economy has improved and able to achieve 8% annual GDP growth and as such, would grant some "policies" to the new Chief Executive.

## EXECUTIVE DIRECTORS

**Mr. Pun Yuen Sang**, aged 59, joined the Company in April 2002. He was the vice president of Tung Fai Leather Goods Co., Limited from 1989 to 1990. He has various experiences in the store development by working in Duty Free Shoppers International Limited as Department Manager for 5 years. Mr. Pun is responsible for business planning and strategic development of the Group.

**Mr. Yao Wai Kwok Daniel**, aged 40, joined the Company as executive Director in November 2008. He has been working in the gaming sector for more than five years, principally in Australia. After graduation from the high school and taking of computer application courses in Australia, Mr. Yao worked as a gaming supervisor in a casino in Australia where he has built up substantial knowledge in both operation and supervision.

**Mr. Leung Wai Man**, aged 39, joined the Company as executive Director in March 2009 and as company secretary and financial controller in April 2007. He has over 10 years of experience in company secretarial, accounting and financial management. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and Hong Kong Institute of Certified Public Accountants. Mr. Leung is also an independent non-executive director of Brilliant Arts Multi-Media Holding Limited, a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, since July 2007.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Leung Chi Hung**, aged 53, joined the Company as an independent non-executive director in April 2002. He has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. Mr. Leung is also a certified public accountant (Practising) in Hong Kong and a director of the corporate practice Arthur Mo & Co. Limited. He is also an independent non-executive director of Daido Group Limited and Temujin International Investments Limited, both companies are listed on the Main Board of the Stock Exchange.

**Mr. Tsui Robert Che Kwong**, aged 55, joined the Company as an independent non-executive director in August 2004. He is the sole proprietor of Robert C.K. Tsui & Co., a firm of solicitors in Hong Kong. Mr. Tsui is also an executive director of Greenfield Chemical Holdings Limited, a company listed on the Main Board of the Stock Exchange.

**Mr. Cheung Yim Kong, Johnny**, aged 54, joined the Company as an independent non-executive director in November 2006. Mr. Cheung has extensive experience in the field of gambling focused entertainment and management. In his 17 years of experience in cruise gambling industry, Mr. Cheung headed M.V. Jimei, M.V. Crown, M.V. Macau Success. Mr. Cheung was also highly involved in operation and management of VIP casinos in Macau.

**Mr. Lee Chan Wah**, aged 40, joined the Company as an independent non-executive director in March 2009. Mr. Lee has over 16 years experience in auditing and accounting areas. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee was an executive director of Global Solution Engineering Limited, a company listed on the GEM of the Stock Exchange, from December 2005 to September 2007 and is also an executive director of Golife Concepts Holdings Limited, a company listed on GEM of the Stock Exchange, since November 2008.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in operations which receive the profit streams from the gaming and entertainment related business and trading of timber logs. The activities of its principal subsidiaries are set out in Note 40 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 26 of this annual report.

The directors recommend a final dividend of HK2.0 cents per share for the year ended 31 March 2009, subject to shareholder's approval on the capital reorganisation (2008: nil). A special dividend of HK1.5 cents per share was paid during the year ended 31 March 2009.

The special dividend of HK4 cents per share and an interim dividend of HK1.5 cents per share in cash and HK4 cents per share in scrip dividend were paid during the year ended 31 March 2008.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 108. This summary does not form part of the financial statements.

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment property of the Company and the Group during the year are set out in Notes 16 and 18 to the financial statements, respectively.

## SHARE CAPITAL

Details of movements in the Company's share capital, together with the reasons therefor are set out in Note 30 to the financial statements.

## SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of movements in the share options of the Company during the year are set out in Notes 30(b) and 35 to the financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution to shareholders, calculated in accordance with the provision of the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$243,672,000 (2008: HK$413,465,000).

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales generated from the Group's five largest customers accounted for 100% of the total sales and there is no supplier to the Group.

None of the directors of the Company or any of their associates or any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers.

## DIRECTORS

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

*Executive directors:*

| | |
|---|---|
| Mr. Lum Chor Wah, Richard | (Resigned on 14 November 2008) |
| Mr. Pun Yuen Sang | |
| Mr. Tang Hin Keung, Alfred | (Resigned on 1 November 2008) |
| Mr. Yao Wai Kwok, Daniel | (Appointed on 1 November 2008) |
| Mr. Leung Wai Man | (Appointed on 10 March 2009) |

*Independent non-executive directors:*

| | |
|---|---|
| Mr. Leung Chi Hung | |
| Mr. Tsui Robert Che Kwong | |
| Mr. Cheung Yim Kong, Johnny | |
| Mr. Lee Chan Wah | (Appointed on 10 March 2009) |

In accordance with Bye-law 86(2), Mr. Leung Wai Man and Mr. Lee Chan Wah shall retire from office at the annual general meeting, being eligible, offer themselves for re-election. At the annual general meeting, ordinary resolutions will be proposed to re-elect Mr. Leung Wai Man as executive Director and Mr. Lee Chan Wah as independent non-executive Director.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company are set out on page 11 of this annual report.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

## DIRECTORS' SERVICE CONTRACTS

Mr. Pun Yuen Sang has entered into a service contract with the Company for a term of two years commencing from 1 July 2002, which shall continue thereafter until terminated by either party giving to the other not less than six month's prior written notice, with such notice not expiring earlier than 1 July 2004.

Apart from the foregoing, no director has entered into any service agreements with any members of the Group excluding contracts expiring or determinable by the employee within one year without payment of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, none of the directors and their associates had registered any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

**Long positions:**

| Name | *Notes* | Capacity | Interest in shares | Interest in underlying shares | Total interest | Percentage of the issued share capital of the Company |
|---|---|---|---|---|---|---|
| Mr. Jean-Christophe Scolari | | Interest of corporation/ Beneficial owner | 9,054,000 | 37,378,800 | 46,432,800 | 14.13% |
| Mr. Chen Yi-Ming | 1 | Interest of corporation | 17,875,564 | 137,991,947 | 155,867,511 | 47.43% |
| Power Rush Holdings Limited | 1 | Interest of corporation/ Beneficial owner | 17,875,564 | 137,991,947 | 155,867,511 | 47.43% |
| Pacific Rainbow Holdings Limited | 1 | Beneficial owner | 12,172,735 | 125,077,885 | 137,250,620 | 41.76% |
| Mr. Sin Chun Shing | 2 | Interest of corporation | 33,600,000 | 196,998,260 | 230,598,260 | 70.16% |
| Multi Fit Investments Limited | 2 | Beneficial owner | 33,600,000 | 196,998,260 | 230,598,260 | 70.16% |
| Farringdon Capital Management Switzerland (SA) | | Investment manager | 17,050,400 | Nil | 17,050,400 | 5.19% |
| USB AG | | Person having a security interest in shares | 28,332,464 | Nil | 28,332,464 | 8.62% |

*Notes:*

1. Pacific Rainbow Holdings Limited is wholly-owner by Power Rush Holdings Limited, which, in turn, is wholly-owned by Mr. Chen Yi-Ming.

2. Multi Fit Investments Limited is wholly-owner by Mr. Sin Chun Shing.

Save as disclosed above, at 31 March 2009, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CONNECTED TRANSACTIONS

(a) On 6 November 2008, the Group acquired the entire issued share capital of East & West International Inc. as to 70% from Multi Fit Investments Limited and as to 30% from Pacific Rainbow Holdings Limited. The major asset of East & West International Inc. is the "Joli Profit Agreement 2" which shares 0.32% of the rolling turnover generated by Joli Entretenimento Sociedade Unipessoal Limitada. The consideration for the acquisition was approximately HK$1,279,707,000 which represented the cash paid and the fair value of convertible bonds as at the date of acquisition. The transaction constitutes connected transaction under the Listing Rules.

(b) On 6 November 2008, the Group acquired the entire issued share capital of Pacific Force Inc. from Pacific Rainbow Holdings Limited. The major asset of Pacific Force Inc. is the "Joli Profit Agreement 3" which shares 0.04% of the rolling turnover generated by Joli Entretenimento Sociedade Unipessoal Limitada. The consideration for the acquisition was approximately HK$118,085,000 which represented the fair value of consideration shares and convertible bonds as at the date of acquisition. The transaction constitutes connected transaction under the Listing Rules.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2009.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

## SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 41 to the financial statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices.

Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 18 to 23.

## AUDITORS

A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Yao Wai Kwok, Daniel**
*Executive Director*

Hong Kong
1 June 2009

The Company is incorporated in Bermuda and the shares of which are listed on the Stock Exchange. The primary corporate governance rules applicable to the Company is the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2009, the Company had complied with all code provisions set out in the CG Code, except for the deviation from Code A.2.1 and Code A.4.1 as described below in the sections of "Chairman and Chief Executive Officer" and "Appointments, Re-election and Removal of Directors".

## MODEL CODES OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2009.

## BOARD OF DIRECTORS

As at 31 March 2009, the Board comprises three executive directors, namely Mr. Pun Yuen Sang, Mr. Yao Wai Kwok, Daniel and Mr. Leung Wai Man and four independent non-executive directors, namely Mr. Leung Chi Hung, Mr. Tsui Robert Che Kwong, Mr. Cheung Yim Kong, Johnny and Mr. Lee Chan Wah. Two of the independent non-executive directors possess appropriate professional accounting qualifications and financial management expertise. All of the independent non-executive directors have signed their respective confirmation letters to the Company confirming their independence as set out in Rule 3.13 of the Listing Rules. Biographical details of the directors are set out in the section of "Biographical Details of Directors" on page 11. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the directors.

The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company. All directors have provided graved concern, sufficient time and attention to all the significant issues and affairs of the Group. Each executive director has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties have been carried out in an efficient and effective manner.

The Board is charged with the responsibility of setting corporate policy and overall strategy for the Group and providing effective oversight of the management of the Group's business affairs. The Board also monitors the financial performance and the internal controls of the Group's business operations. The senior management is responsible for the day-to-day operations of the Group. Mr. Yao Wai Kwok, Daniel is primarily responsible for the overall operation and management of the Group, while Mr. Pun Yuen Sang and Mr. Leung Wai Man are responsible for the business planning and strategic development of the Group.

## BOARD OF DIRECTORS (Continued)

Such balanced Board composition, coupled with the strong independent element, is over and above the recommended practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. The participation of independent non-executive directors in the Board brings independent judgment to ensure the interests of all shareholders of the Company have been duly considered.

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed four independent non-executive directors, of whom Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. During the year, the Company has also appointed Mr. Lee Chan Wah, who has over 16 years experience in auditing and accounting areas as an independent non-executive director. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

The independent non-executive directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgment in various aspects. They will take lead when potential conflicts of interest arise.

They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size is adequate for its present operations.

The Board considers that all of the independent non-executive directors are independent and has received from each of them the annual confirmation of independence required by Rule 3.13 of the Listing Rules.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at board meetings.

### Chairman and Chief Executive Officer

Code A.2.1 of CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Yao Wai Kwok, Daniel has been assuming the roles of Chief Executive Officer of the Company. With the resignation of Mr. Lum Chor Wah, Richard as Chairman, the members of the board will share the responsibilities of the role of chairman jointly and the Company still looks for appropriate person to fill the vacancy.

## BOARD OF DIRECTORS (Continued)

### Chairman and Chief Executive Officer (Continued)

Before the appointment of Mr. Yao Wai Kwok, Daniel, Mr. Lum Chor Wah, Richard has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. In this regard, the Company has deviated from Code A.2.1 of CG Code. The Board believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently during the year. Once the Company looks for appropriate Chairman, the role of chairman and chief executive officer will be separated.

## APPOINTMENTS RE-ELECTION AND REMOVAL OF DIRECTORS

According to Bye-law 86(2) of the bye-laws of the Company (the "Bye-Laws"), a director appointed by the Board to fill a casual vacancy shall hold office until the next general meeting. Thence, Mr. Leung Wai Man and Mr. Lee Chan Wah were re-elected as directors of the Company at the forthcoming annual general meeting.

According to Bye-law 87(1), at each annual general meeting one-third of the Directors (including the chairman and/or the managing director of the Company) for the time being (or, if their number is not a multiple of three (3) the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Bye-law 87(1), Mr. Pun Yuen Sang and Mr. Tsui Robert Che Kwong shall retire from office at the annual general meeting but not wish to offer themselves for re-election. Mr. Pun Yuen Sang and Mr. Tsui Robort Che Kwong have confirmed that they have no disagreement with the Board and there is no matter in relation to their decisions for not offer themselves for re-election that needs to be brought to the attention of the Shareholders.

The 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 bye-Laws.

## BOARD COMMITTEES

The Board has established three committees with specific responsibilities as described below. The terms of reference of the Remuneration Committee, Nomination Committee and Audit Committee are posted on the Company's website.

## REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently comprises three independent non-executive directors, Mr. Tsui Robert Che Kwong (Chairman), Mr. Leung Chi Hung and Mr. Lee Chan Wah and an executive director, Mr. Pun Yuen Sang. It is responsible for reviewing and recommending all elements of the executive directors and senior management remuneration. The fees of the non-executive directors are determined by the Board. The Remuneration Committee met once during the year. The Committee discussed and reviewed the remuneration packages of all executive directors and the granting of share options to the executive directors, senior management and consultants. The directors' remuneration for the year ended 31 March 2009 is set out in Note 12 to the financial statements.

## NOMINATION COMMITTEE

The Nomination Committee is chaired by Mr. Tsui Robert Che Kwong with Mr. Leung Chi Hung and Mr. Pun Yuen Sang as members. The majority of the members of the Nomination Committee are independent non-executive directors. It is responsible for reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the required blend of skills, knowledge and experience. The Nomination Committee met once during the year and considered the appointment of executive directors during the year.

## AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors, Mr. Leung Chi Hung as the Chairman, Mr. Tsui Robert Che Kwong, Mr. Cheung Yim Kong Johnny and Mr. Lee Chan Wah. None of the members of the Audit Committee is a member of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the CG Code.

The Audit Committee has access to and maintains an independent communication with the external auditors and the management to ensure effective information exchange on all relevant financial accounting matters. During the year, the Audit Committee held two meetings, with attendance of the Financial Controller, the Qualified Accountant and the Company Secretary. It reviewed the work done by external auditors, the relevant fees and terms, reports from external auditors in relation to the interim and annual financial statements, and receives regular reports from the internal audit functions in accordance with the Committee's term of reference.

### Auditors' Remuneration

An analysis of remuneration in respect of audit and non-audit services provided by HLB Hodgson Impey Cheng, the auditors, is shown as follows:

| | **2009**<br>***HK$'000*** | 2008<br>*HK$'000* |
|---|---|---|
| Audit service | **750** | 750 |
| Other advisory service | **708** | 2,123 |

## BOARD AND BOARD COMMITTEE MEETINGS

Details of individual directors' attendance at the Board and Board Committee Meetings held in the year are set out in the following table:

| | Board Meetings | Audit Committee Meetings | Remuneration Committee Meeting | Nomination Committee Meeting |
|---|---|---|---|---|
| Number of meetings | 29 | 2 | 1 | 1 |
| *Executive directors:* | | | | |
| Mr. Lum Chor Wah, Richard | 14/24 | N/A | N/A | N/A |
| Mr. Pun Yuen Sang | 23/24 | N/A | 2/2 | 2/2 |
| Mr. Tang Hin Keung, Alfred | 12/24 | N/A | N/A | N/A |
| Mr. Yao Wai Kwok, Daniel | 11/24 | N/A | N/A | N/A |
| Mr. Leung Wai Man | N/A | N/A | N/A | N/A |
| *Independent non-executive directors:* | | | | |
| Mr. Leung Chi Hung | 23/24 | 3/3 | 2/2 | 2/2 |
| Mr. Tsui Robert Che Kwong | 23/24 | 3/3 | 2/2 | 2/2 |
| Mr. Cheung Yim Kong Johnny | 23/24 | 3/3 | N/A | N/A |
| Mr. Lee Chan Wah | N/A | N/A | N/A | N/A |

## RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility to prepare the financial statements as set out on page 24. The statement of the external auditors about their reporting responsibilities on the financial statements is set out on page 24.

## INTERNAL CONTROL

The Board has the overall responsibility for approving and reviewing internal control policy while the responsibility of day-to-day management of operational risks and implementation of mitigation measures lies with the management. The Board has established an on-going process for (a) ensuring the Group has complied with the Code and the Listing Rules; (b) monitoring the performance and operation of the Group through review and approval of business strategies, budgets and plans and setting of key business performance targets; (c) formulating the business policy, systems and strategy of the Group as a whole; (d) controlling over capital expenditure and investments; and (e) setting standards and targets for safety and healthy performances.

## INTERNAL CONTROL (Continued)

The Board has conducted an annual review of the effectiveness of its internal control system covering all material controls, including financial, operational and compliance as well as risk management. Besides, the Group has also engaged HLB Hodgson Impey Cheng Consultants Limited (the "Consultant") to conduct the review and make recommendations for the improvement and strengthening of the internal control system.

The review by the Consultant is conducted with reference to the principles outlined in Internal Control and Risk Management – A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The assessment covers the major internal controls and measure, including financial, operational and compliance as well as risk management. Any material non-compliance or failures in internal controls maintained by the Group's management and relevant recommendations for improvements are reported to the Audit Committee.

Based on the assessments made by the Consultant, the Audit Committee and the Board considered that the key areas of the Group's internal control system are reasonably implemented with room for improvement. The Group shall use its best endeavor to implement the recommendations made by the Consultant in order to further improve the internal control system.

## COMMUNICATIONS WITH SHAREHOLDERS

Enquiries and suggestions from shareholders or investors are welcomed through the following channels to the Company Secretary:

(i) By mail to the Company's head office at Unit 3810, Shun Tak Centre, West Tower, 168-200 Connaught Road, Central, Hong Kong;

(ii) By telephone at telephone number (852) 2293-0088;

(iii) By fax at fax number (852) 2858-3489; or

(iv) By e-mail at info@dore-holdings.com.hk.

The annual general meeting is the principal forum for formal dialogue with shareholders, our directors are available at the Company's annual general meeting and extraordinary general meetings to answer questions and provide information which shareholders may enquire. Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to shareholders. The Company's announcements, press releases, and publications are circulated and are also available on the Stock Exchange's website. In order to provide effective disclosure to the shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

In order to promote effective communication, the Company maintains its website at www.dore-holdings.com.hk which includes the latest information relating to the Group and its business.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DORE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Dore Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 106 which comprise the consolidated balance sheet as at 31 March 2009 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**HLB Hodgson Impey Cheng**
Chartered Accountants
Certified Public Accountants

Hong Kong, 1 June 2009

# Consolidated Income Statement

For the year ended 31 March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 6 | **439,720** | 418,910 |
| Other revenue | 6 | **15** | 6,699 |
| Other income | 7 | **-** | 200 |
| Administrative expenses | | **(15,760)** | (15,221) |
| Equity-settled share-based payments | | **-** | (70,243) |
| Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost | 8 | **202,131** | – |
| Fair value changes on investment property | 18 | **-** | 560 |
| Fair value changes on financial assets at fair value through profit or loss | | **(32,742)** | (16,905) |
| Fair value changes on derivative financial instruments | 24 | **(66,779)** | (101,174) |
| Impairment loss recognised in respect of intangible assets | 17 | **(1,006,584)** | (778,278) |
| Impairment loss recognised in respect of goodwill | 19 | **(73,522)** | (210,404) |
| Loss on disposal of subsidiaries | 33 | **(668)** | – |
| Loss on early redemption of convertible bond | 28 | **(15,240)** | – |
| Gain on cancellation of convertible bonds | 28 | **116,292** | – |
| Loss on cancellation of promissory note | | **(72)** | – |
| Share of results of an associate | | **-** | 47,895 |
| Finance costs | 9 | **(127,249)** | (58,058) |
| Loss before taxation | | **(580,458)** | (776,019) |
| Taxation | 10 | **3,314** | 1,021 |
| Loss for the year from continuing operations | | **(577,144)** | (774,998) |
| **Discontinued operation** | | | |
| Profit for the year from discontinued operation | 11 | **-** | 973 |
| **Loss for the year** | 7 | **(577,144)** | (774,025) |
| Attributable to: | | | |
| Equity holders of the Company | | **(577,144)** | (775,976) |
| Minority interests | | **-** | 1,951 |
| | | **(577,144)** | (774,025) |
| **Dividends** | 14 | | |
| – Special dividend paid | | **31,648** | 46,762 |
| – Interim dividend paid | | **-** | 70,765 |
| | | **31,648** | 117,527 |
| **Loss per share** | 15 | | |
| From continuing and discontinued operations | | | |
| – Basic and diluted | | **HK(41.83) cents** | HK(69.50) cents |
| From continuing operations | | | |
| – Basic and diluted | | **HK(41.83) cents** | HK(69.59) cents |

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

# Consolidated Balance Sheet

At 31 March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **1,424** | 1,899 |
| Intangible assets | 17 | **2,098,869** | 1,922,029 |
| Investment property | 18 | **–** | 10,760 |
| Goodwill | 19 | **428,883** | 153,216 |
| | | **2,529,176** | 2,087,904 |
| **Current assets** | | | |
| Accounts receivable | 21 | **51,036** | 49,026 |
| Deposits and other receivables | 22 | **386** | 26,256 |
| Financial assets at fair value through profit or loss | 23 | **53,589** | 38,220 |
| Derivative financial instruments | 24 | **34,421** | 38,651 |
| Cash and bank balances | | **51,014** | 55,007 |
| | | **190,446** | 207,160 |
| **Less: Current liabilities** | | | |
| Other payables and accruals | 25 | **79,053** | 21,691 |
| Tax payable | | **180** | 180 |
| | | **79,233** | 21,871 |
| **Net current assets** | | **111,213** | 185,289 |
| **Total assets less current liabilities** | | **2,640,389** | 2,273,193 |
| **Less: Non-current liabilities** | | | |
| Loan from a shareholder | 26 | **130,000** | – |
| Promissory notes – due after one year | 27 | **502,567** | 449,003 |
| Convertible bonds – due after one year | 28 | **1,053,053** | 612,123 |
| Deferred tax liabilities | 29 | **113,507** | 27,000 |
| | | **1,799,127** | 1,088,126 |
| **Net assets** | | **841,262** | 1,185,067 |
| **Capital and reserves** | | | |
| Share capital | 30(a) | **328,658** | 141,286 |
| Reserves | 31(a) | **512,604** | 1,043,781 |
| **Equity attributable to equity holders of the Company** | | **841,262** | 1,185,067 |

Approved by the board of directors on 1 June 2009 and signed on its behalf by:

**Yao Wai Kwok, Daniel**
*Director*

**Leung Wai Man**
*Director*

The accompanying notes form an integral part of these financial statements.

# Balance Sheet

At 31 March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *16* | **18** | 31 |
| Interests in subsidiaries | *20* | **2,701,905** | 2,214,612 |
| | | **2,701,923** | 2,214,643 |
| **Current assets** | | | |
| Deposits and other receivables | *22* | **50** | – |
| Financial assets at fair value through profit or loss | *23* | **53,589** | 38,220 |
| Derivative financial instruments | *24* | **34,421** | 38,651 |
| Cash and bank balances | | **47,124** | 53,054 |
| | | **135,184** | 129,925 |
| **Less: Current liabilities** | | | |
| Other payables and accruals | *25* | **79,014** | 21,278 |
| Amounts due to subsidiaries | *20* | **174,795** | 174,804 |
| | | **253,809** | 196,082 |
| **Net current liabilities** | | **(118,625)** | (66,157) |
| **Total assets less current liabilities** | | **2,583,298** | 2,148,486 |
| **Less: Non-current liabilities** | | | |
| Loan from a shareholder | *26* | **130,000** | – |
| Promissory notes – due after one year | *27* | **502,567** | 449,003 |
| Convertible bonds – due after one year | *28* | **1,053,053** | 612,123 |
| Deferred tax liabilities | *29* | **113,507** | 26,908 |
| | | **1,799,127** | 1,088,034 |
| **Net assets** | | **784,171** | 1,060,452 |
| **Capital and reserves** | | | |
| Share capital | *30(a)* | **328,658** | 141,286 |
| Reserves | *31(b)* | **455,513** | 919,166 |
| **Total equity** | | **784,171** | 1,060,452 |

Approved by the board of directors on 1 June 2009 and signed on its behalf by:

**Yao Wai Kwok, Daniel**
*Director*

**Leung Wai Man**
*Director*

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

| | Share capital HK$'000 | Share premium HK$'000 (note i) | Contributed surplus HK$'000 (note ii) | Convertible bonds reserve HK$'000 (note iii) | Capital reserve HK$'000 (note iv) | Share option reserve HK$'000 (note v) | Re-valuation reserve HK$'000 (note vi) | Acc-umulated losses HK$'000 | Total reserves HK$'000 | Proposed dividend HK$'000 | Total equity HK$'000 | Minority interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | | | | |
| At 1 April 2007 | 87,800 | 288,022 | 2,696 | 134,233 | 85,889 | – | – | (21,605) | 489,235 | 17,911 | 594,946 | – | 594,946 |
| Net loss for the year | – | – | – | – | – | – | – | (775,976) | (775,976) | – | (775,976) | 1,951 | (774,025) |
| Total recognised income and expense for the year | – | – | – | – | – | – | – | (775,976) | (775,976) | – | (775,976) | 1,951 | (774,025) |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | – | – | 625,538 | 625,538 |
| Acquisition of additional interest in a subsidiary | – | – | – | – | – | – | – | – | – | – | – | (627,489) | (627,489) |
| Recognition of equity-settled share-based payment | – | – | – | – | – | 70,243 | – | – | 70,243 | – | 70,243 | – | 70,243 |
| Consideration shares *(note vii)* | 13,256 | 262,918 | – | – | – | – | – | – | 262,918 | – | 276,174 | – | 276,174 |
| Equity component of convertible bonds | – | – | – | 291,640 | – | – | – | – | 291,640 | – | 291,640 | – | 291,640 |
| Deferred tax arising on issue of convertible bonds | – | – | – | (21,526) | – | – | – | – | (21,526) | – | (21,526) | – | (21,526) |
| Gain on fair value changes on intangible assets from acquisition of subsidiaries involved more than one exchange transaction | – | – | – | – | – | – | 63,089 | – | 63,089 | – | 63,089 | – | 63,089 |
| Issue of ordinary shares upon exercise of share options | 14,919 | 277,100 | – | – | – | (54,778) | – | – | 222,322 | – | 237,241 | – | 237,241 |
| Issue of ordinary shares | 20,628 | 526,014 | – | – | – | – | – | – | 526,014 | – | 546,642 | – | 546,642 |
| Share issue expenses | – | (8,795) | – | – | – | – | – | – | (8,795) | – | (8,795) | – | (8,795) |
| Scrip dividend | 4,683 | 42,144 | – | – | – | – | – | (46,827) | (4,683) | – | – | – | – |
| Dividend paid | – | – | – | – | – | – | – | (70,700) | (70,700) | (17,911) | (88,611) | – | (88,611) |
| At 31 March 2008 and 1 April 2008 | 141,286 | 1,387,403 | 2,696 | 404,347 | 85,889 | 15,465 | 63,089 | (915,108) | 1,043,781 | – | 1,185,067 | – | 1,185,067 |
| Net loss for the year | – | – | – | – | – | – | – | (577,144) | (577,144) | – | (577,144) | – | (577,144) |
| Total recognised income and expense for the year | – | – | – | – | – | – | – | (577,144) | (577,144) | – | (577,144) | – | (577,144) |
| Consideration shares *(note vii)* | 30,515 | 117,471 | – | – | – | – | – | – | 117,471 | – | 147,986 | – | 147,986 |
| Equity component of convertible bonds | – | – | – | 131,729 | – | – | – | – | 131,729 | – | 131,729 | – | 131,729 |
| Deferred tax arising on issue of convertible bonds | – | – | – | (107,768) | – | – | – | – | (107,768) | – | (107,768) | – | (107,768) |
| Conversion of convertible bonds into shares | 12,520 | 210,094 | – | (125,045) | – | – | – | – | 85,049 | – | 97,569 | – | 97,569 |
| Early redemption of convertible bond | – | – | – | (40,359) | – | – | – | 31,694 | (8,665) | – | (8,665) | – | (8,665) |
| Cancellation of convertible bonds | – | – | – | (136,952) | – | – | – | (24,538) | (161,490) | – | (161,490) | – | (161,490) |
| Expiration of share options | – | – | – | – | – | (15,465) | – | 15,465 | – | – | – | – | – |
| Issue of ordinary shares | 34,784 | 24,349 | – | – | – | – | – | – | 24,349 | – | 59,133 | – | 59,133 |
| Share issue expenses | – | (648) | – | – | – | – | – | – | (648) | – | (648) | – | (648) |
| Share premium cancellation *(note i)* | – | (1,387,403) | 472,295 | – | – | – | – | 915,108 | – | – | – | – | – |
| Open offer | 109,553 | – | – | – | – | – | – | – | – | – | 109,553 | – | 109,553 |
| Open offer expenses | – | (2,412) | – | – | – | – | – | – | (2,412) | – | (2,412) | – | (2,412) |
| Dividend paid | – | – | – | – | – | – | – | (31,648) | (31,648) | – | (31,648) | – | (31,648) |
| **At 31 March 2009** | **328,658** | **348,854** | **474,991** | **125,952** | **85,889** | **-** | **63,089** | **(586,171)** | **512,604** | **-** | **841,262** | **-** | **841,262** |

*Notes:*

(i) The share premium account of the Group includes shares issued at premium.

During the year ended 31 March 2009, the Company had passed a special resolution that the amount of approximately HK$1,387,403,000, which represented the total amount standing to the credit of the share premium account of the Company as at 31 March 2008, be cancelled and eliminated in full against the accumulated losses of the Company as at 31 March 2008 and the remaining balance of the credit arising therefrom be credited to the contributed surplus account of the Company.

(ii) The contributed surplus of approximately HK$2,696,000 represents the difference between the nominal value of the shares, the share premium account and the contributed surplus of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

(iii) The convertible bonds reserve represents the equity components of each of the convertible bonds issued. Each convertible bond issued are split into their liability and equity components at initial recognition at the fair values of each of the convertible bonds, which are determined by independent qualified professional valuers.

(iv) The capital reserve of the Group represents the cash received in excess of the fair value of the Second Promissory Note issued by the Company *(Note 27)*.

(v) The share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant options over the relevant vesting periods, the total of which is based on the fair value of the options at grant date. The amount is recognised as staff costs and related expenses with a corresponding increase in the share option reserve.

The share options granted are all expired during the year and are released directly to accumulated losses.

(vi) Included in the revaluation reserve, (i) amount of approximately HK$62,451,000 represents the adjustment on change in fair values of Worth Perfect International Limited ("Worth Perfect") between the initial acquisition of 49% equity interest on 4 January 2007 and further acquisition of 51% equity interest on 12 June 2007; and (ii) amount of approximately HK$638,000 represents the adjustment on change in fair values of Triple Gain Group Limited ("Triple Gain") between the initial acquisition of 60% equity interest on 10 December 2007 and further acquisition of 40% equity interest on 18 December 2007.

(vii) Included in the share premium, debited amount of approximately HK$34,944,000 represents the difference between the fair value and the contracted value of the consideration shares paid for acquisitions of subsidiaries during the year (2008: debited amount of approximately HK$55,355,000).

The accompanying notes form an integral part of these financial statements.

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | **(580,458)** | (775,046) |
| Adjustments for: | | | |
| Finance costs | 9 | **127,249** | 58,058 |
| Interest income | 6 | **(15)** | (6,688) |
| Gain on cancellation of convertible bonds | 28 | **(116,292)** | – |
| Gain on disposal of discontinued operation | 11 | **–** | (973) |
| Gain on disposal of property, plant and equipment | | **–** | (200) |
| Equity-settled share-based payments expenses | | **–** | 70,243 |
| Fair value changes on financial assets at fair value through profit or loss | | **32,742** | 16,905 |
| Fair value changes on investment property | 18 | **–** | (560) |
| Fair value changes on derivative financial instruments | 24 | **66,779** | 101,174 |
| Impairment loss recognised in respect of intangible assets | 17 | **1,006,584** | 778,278 |
| Impairment loss recognised in respect of goodwill | 19 | **73,522** | 210,404 |
| Depreciation | 16 | **487** | 386 |
| Loss on early redemption of convertible bond | 28 | **15,240** | – |
| Loss on disposal of subsidiaries | 33 | **668** | – |
| Excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost | 8 | **(202,131)** | – |
| Loss on cancellation of promissory note | | **72** | – |
| Share of results of an associate | | **–** | (47,895) |
| Operating profit before working capital changes | | **424,447** | 404,086 |
| Increase in accounts receivable | | **(2,010)** | (49,026) |
| Decrease in deposits and other receivables | | **25,870** | 302,731 |
| Increase in financial assets at fair value through profit or loss | | **(48,111)** | (46,939) |
| Decrease in accounts payable | | **–** | (893) |
| Increase in other payables and accruals | | **1,511** | 19,435 |
| Cash generated from operations | | **401,707** | 629,394 |
| Interest paid | | **(37,455)** | (25,458) |
| Net cash generated from operating activities | | **364,252** | 603,936 |

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Interest received | | **15** | 6,688 |
| Purchase of property, plant and equipment | | **(12)** | (949) |
| Acquisitions of subsidiaries | *32* | **(533,476)** | (1,395,894) |
| Proceeds from disposal of subsidiaries | *33* | **10,000** | (45) |
| Proceeds from disposal of property, plant and equipment | | **–** | 200 |
| Dividends received from an associate | | **–** | 53,082 |
| Net cash used in investing activities | | **(523,473)** | (1,336,918) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **59,133** | 783,883 |
| Share issue expenses | | **(648)** | (8,795) |
| Open offer | | **109,553** | – |
| Open offer expenses | | **(2,412)** | – |
| Payment for early redemption of convertible bond | | **(108,750)** | – |
| Loan from a shareholder | | **130,000** | – |
| Dividends paid | | **(31,648)** | (88,611) |
| Net cash generated from financing activities | | **155,228** | 686,477 |
| **Net decrease in cash and cash equivalents** | | **(3,993)** | (46,505) |
| **Cash and cash equivalents at the beginning of the year** | | **55,007** | 101,512 |
| **Cash and cash equivalents at the end of the year** | | **51,014** | 55,007 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Cash and bank balances | | **51,014** | 55,007 |

The accompany notes from an integral part of these financial statements.

## 1. GENERAL INFORMATION

Dore Holdings Limited (the "Company") was 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 HM 11, Bermuda and the principal place of business in Hong Kong is Room 3810, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in operations which receive the profit streams from gaming and entertainment related business. In prior years, the Group was also engaged in trading of timber logs. This activity was minimal in the current year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 3 to the financial statements.

In the current year, the Group has applied for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2008.

| | |
|---|---|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets |
| HK(IFRIC)-Int 11 | HKFRS 2: Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group and the Company have not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impact of new and revised HKFRSs not yet effective**

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[8] |
| HKAS 1 (Revised) | Presentation of Financial Statements[2] |
| HKAS 23 (Revised) | Borrowing Costs[2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[2] |
| HKAS 39 (Amendment) | Eligible hedged items[3] |
| HKFRS 1 (Revised) | First-time Adoption of HKFRS[3] |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[2] |
| HKFRS 3 (Revised) | Business Combinations[3] |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives[4] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate[2] |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation[6] |
| HK(IFRIC) – Int 17 | Distribution of Non-cash Assets to Owners[3] |
| HK(IFRIC) – Int 18 | Transfers of Assets from Customers[7] |

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers of assets from customers received on or after 1 July 2009
8 Effective for annual periods beginning on or after 1 January 2010 except for the amendment to HKAS 38, HKFRS 2, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16, which are effective for annual periods beginning on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

A summary of significant accounting policies adopted by the Group in the preparation of the financial statements is set out below:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of preparation**

The measurement basis used in the preparation of the financial statements is historical cost convention except for certain financial assets, financial liabilities, and derivative financial instruments which have been carried at fair value as explained below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bringing their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Business combinations**

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

*Goodwill arising on acquisitions on or after 1 January 2005*

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised in included in the determination of the amount of profit or loss on disposal.

### Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives and after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | 20% |
| Furniture, fixtures and office equipment | 20% |
| Motor vehicles | 20% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net proceeds and the carrying amount of the relevant assets.

### Intangible assets

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest held under an operating lease which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated to fair value, which reflects market conditions at the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investment properties** (Continued)

Gain or loss arising from changes in fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated income statement in the year of retirement or disposal.

**Investments and other financial assets**

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition:

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets** (Continued)

*Financial assets at fair value through profit or loss* (Continued)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any dividend or interest earned on the financial assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship.

### Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated income statement.

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

*Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is a contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis over than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two categories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement includes any interest paid on the financial liability.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables and amounts due to related companies) are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

### Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

*Convertible bonds that contain an equity component*

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the amount will be transferred to the share premium account). Where the option remains unexercised at the expiry date, the amount stated in the convertible bonds equity reserve will be released to retained profits. No gain or loss is to be recognised in the consolidated income statement upon conversion or expiration of the option.

*Convertible bonds that do not contain an equity component*

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amount is recognised in the income statement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

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

### Revenue recognition

Revenue from assignment of profit is recognised when the right to receive profit is established.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Interest income from financial assets is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. No-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Foreign currencies** (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

**Retirement benefits costs**

*Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

*Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

*Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The fair value of share options granted to employee is recognised as an employee cost with a corresponding increase in a capital reserve within equity. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Retirement benefits costs** (Continued)

*Share option scheme* (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

### Taxation

Income tax expense represents the sum of the tax current payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly or equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

### Provisions

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### Related party transactions

Parties are considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment, benefit plan for the benefit of the employees of the Group, of any entity that is related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies which are described in Note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertain at the balance sheet date, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

**Impairment of property, plant and equipment**

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

**Fair value of derivatives and other financial instruments**

The fair value of derivative financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at each balance sheet date.

For financial assets at fair value through profit or loss, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amounts of these financial instruments are approximately HK$53,589,000 (2008: HK$38,220,000).

**Impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amount of cash generating unit has been determined based on value in use calculations. Theses calculations require the use of estimates *(Note 19)*.

The carrying amount of goodwill at the balance sheet date was approximately HK$428,883,000 (2008: HK$153,216,000) after an impairment of approximately HK$73,522,000 (2008: HK$210,404,000) was recognised during the year.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

**Impairment of intangible assets**

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of intangible assets have been determined based on discounted cash flow method *(Note 17)*.

The carrying amount of intangible assets at the balance sheet date was approximately HK$2,098,869,000 (2008: HK$1,922,029,000) after an impairment of approximately HK$1,006,584,000 (2008: HK$778,278,000) was recognised during the year.

**Measurement of convertible bonds**

On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve, net of transactions cost. The splitting of the liability and equity components requires an estimation of the market interest rate.

**Measurement of fair value of equity-settled share-based payment transactions**

The Company operates share option schemes under with the employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

## 4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

### (a) Categories of financial instruments

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| Classified as fair value through profit or loss | | |
| – Held for trading | **53,589** | 38,220 |
| – Derivative financial instruments | **34,421** | 38,651 |
| Loans and receivables | | |
| (including cash and cash equivalents) | **102,436** | 130,289 |
| **Financial liabilities** | | |
| Amortised cost | **1,764,673** | 1,082,817 |

## 4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

*Interest rate risk management*

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Group considers that there is no significant cash flow interest rate risk as the Group does not have variable-rate borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

*Foreign exchange risk management*

The Group operates mainly in both Hong Kong and Macau and majority of transactions are denominated in Hong Kong dollars. Therefore, the Group is not exposed to foreign exchange risk. Hong Kong dollars are pegged to the United States dollars and the foreign exchange exposure between them are considered limited. The Group does not have any formal hedging policy.

*Other price risk management*

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in entertainment and management, production and trading of boardcasting programmes and multimedia products, manufacturing and sales of electrical products, sales of healthcare products in Hong Kong, design, development and sales of high-end apparel and accessories and operation on toll roads and bridges in the PRC industry sectors quoted in The Stock Exchange of Hong Kong Limited.

*Sensitivity analysis on other price risks*

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower, net profit for the year ended 31 March 2009 would increase/decrease by approximately HK$2,679,000 (2008: HK$1,911,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices increased due to the increase in financial assets at fair value through profit or loss during the current year.

## 4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk**

As at 31 March 2009 and 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

**Liquidity risk**

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow, funds raising from issuance of convertible bonds, promissory notes, loan from a shareholder and placing of shares during the current year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

## 4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Liquidity risk** (Continued)

| | Weighted average effective interest rate | Within 1 year | 2 to 5 years | Over 5 years | Total undiscounted cash flows | Total carrying amount |
|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 31 March 2009** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Loan from a shareholder | – | – | (130,000) | – | (130,000) | (130,000) |
| Other payables and accruals | – | (79,053) | – | – | (79,053) | (79,053) |
| Promissory notes | 8 | – | (48,000) | (596,734) | (644,734) | (502,567) |
| Convertible bonds | 8 | – | – | (1,740,976) | (1,740,976) | (1,053,053) |
| | | (79,053) | (178,000) | (2,337,710) | (2,594,763) | (1,764,673) |
| **At 31 March 2008** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Other payables and accruals | – | (21,691) | – | – | (21,691) | (21,691) |
| Promissory notes | 6 | – | – | (604,600) | (604,600) | (449,003) |
| Convertible bonds | 6 | – | – | (775,200) | (775,200) | (612,123) |
| | | (21,691) | – | (1,379,800) | (1,401,491) | (1,082,817) |

## 4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Fair value of financial instruments*

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, Black-Scholes model and Binomial option pricing model).

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| **Financial liabilities** | | | | |
| Convertible bonds | **1,053,053** | **886,221** | 612,123 | 695,132 |

### (c) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes loan from a shareholder, promissory notes and convertible bonds), and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

*Gearing ratio*

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on total debt and shareholders' equity. The increase in gearing ratio was due to the issuance of promissory notes and convertible bonds for acquisition of subsidiaries and the loan from a shareholder during the year.

## 4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

### (c) Capital risk management (Continued)

*Gearing ratio* (Continued)

The gearing ratio at the year end was as follows:

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Total debt # | **1,685,620** | 1,061,126 |
| Shareholders' equity | **841,262** | 1,185,067 |
| Gearing ratio | **200.37%** | 89.54% |

# *Total debt comprises loan from a shareholder, promissory notes and convertible bonds as detailed in Notes 26, 27 and 28 respectively.*

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 businesses 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 gaming and entertainment segment receives profit streams from gaming and entertainment related business;

(b) the construction segment provides and installs fire-rated timber door sets, as well as provides interior decoration and renovation services and other carpentry works, which was discontinued in prior year;

(c) the timber segment engages in the trading of timber logs and wooden door sets. The activity was minimal during the year.

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

### (a) Business segments

For the year ended 31 March 2009, all of the Group's revenue and results were derived from the gaming and entertainment segment which receives profit streams from gaming and entertainment related business and accordingly, no further detailed analysis of the Group's business segments is disclosed.

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)

**(a) Business segments** (Continued)

For the year ended 31 March 2008

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | Gaming and entertainment | Timber | Total | Construction | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** | | | | | |
| Profit streams from gaming and entertainment related business | 418,910 | – | 418,910 | – | 418,910 |
| **Segment results** | (359,368) | (199) | (359,567) | 973 | (358,594) |
| Equity-settled shared-based payments | | | (70,243) | – | (70,243) |
| Fair value changes on financial assets at fair value through profit or loss | | | (16,905) | – | (16,905) |
| Fair value changes on derivative financial instruments | | | (101,174) | – | (101,174) |
| Impairment loss recognised in respect of goodwill | | | (210,404) | – | (210,404) |
| Interest income and unallocated gains | | | 6,899 | – | 6,899 |
| Corporate and other unallocated expenses | | | (14,462) | – | (14,462) |
| (Loss)/profit from operations | | | (765,856) | 973 | (764,883) |
| Finance costs | | | (58,058) | – | (58,058) |
| Share of results of an associate | | | 47,895 | – | 47,895 |
| (Loss)/profit before taxation | | | (776,019) | 973 | (775,046) |
| Taxation | | | 1,021 | – | 1,021 |
| (Loss)/profit for the year | | | (774,998) | 973 | (774,025) |

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (a) Business segments (Continued)

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | Gaming and entertainment | Timber | Total | Construction | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment assets and liabilities:** | | | | | |
| Segment assets | 2,150,191 | – | 2,150,191 | – | 2,150,191 |
| Unallocated | | | | | 144,873 |
| Consolidated total assets | | | | | 2,295,064 |
| Segment liabilities | – | 180 | 180 | – | 180 |
| Unallocated | | | | | 1,109,817 |
| Consolidated total liabilities | | | | | 1,109,997 |

| | Continuing operations | | | Discontinued operation | | |
|---|---|---|---|---|---|---|
| | Gaming and entertainment | Timber | Total | Construction | Unallocated | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Other information:** | | | | | | |
| Capital expenditure | 2,700,307 | – | 2,700,307 | – | 949 | 2,701,256 |
| Depreciation | – | – | – | – | 386 | 386 |
| Impairment loss recognised in respect of intangible assets | 778,278 | – | 778,278 | – | – | 778,278 |
| Impairment loss recognised in respect of goodwill | 210,404 | – | 210,404 | – | – | 210,404 |

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the years ended 31 March 2009 and 2008, all of the Group's revenue and over 90% of the assets were derived from operations in Macau and accordingly, no detailed analysis of the Group's geographical segments for the years ended 31 March 2009 and 2008 is disclosed.

## 6. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Profit streams from gaming and entertainment related business | **439,720** | 418,910 |
| **Other revenue** | | |
| Interest income | **15** | 6,688 |
| Dividend income | **–** | 11 |
| | **15** | 6,699 |

Other revenue analysed by categories of assets is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial instruments** | | |
| Loans and receivables (including cash and bank balances) | **15** | 6,688 |
| Financial assets at fair value through profit or loss | **–** | 11 |
| | **15** | 6,699 |

## 7. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Depreciation | **487** | 386 |
| Auditors' remuneration | **750** | 750 |
| Minimum lease payments under operating leases in respect of land and buildings | **1,006** | 1,006 |
| Staff costs (excluding directors' remuneration – *Note 12*) | | |
| Salaries and wages | **4,254** | 3,160 |
| Pension scheme contributions | **56** | 45 |
| | **4,310** | 3,205 |
| Equity-settled share-based payments | | |
| – employees | **–** | 5,132 |
| – consultants | **–** | 65,111 |
| | **–** | 70,243 |
| | **4,310** | 73,448 |

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| and after crediting: | | |
| **Other income** | | |
| Gain on disposal of property, plant and equipment | **–** | 200 |

## 8. EXCESS OF ACQUIRER'S INTEREST IN FAIR VALUE OF ACQUIREE'S IDENTIFIABLE NET ASSETS OVER COST

The amount represents the contingent consideration adjustment in relation to acquisition of Triple Gain due to the shortfall in respect of the profit guarantee under the Nove Profit Agreement guaranteed by Mr. Chen Yi-Ming which has been accounted for as excess of acquirer's interest in fair value of acquiree's identifiable net assets over cost.

## 9. FINANCE COSTS

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Effective interest on promissory notes not wholly repayable within five years *(Note 27)* | **36,024** | 32,416 |
| Effective interest on promissory notes wholly repayable within five years *(Note 27)* | **2,157** | – |
| Effective interest on convertible bonds wholly repayable within five years *(Note 28)* | **89,068** | 25,642 |
| | **127,249** | 58,058 |

## 10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising from Hong Kong during the year. The Group has no assessable profit under Hong Kong profits tax for the years ended 31 March 2009 and 2008. The Group is not subject to any tax in Macau.

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **Current taxation** | | |
| Credited/(charged) for the year | | |
| – Hong Kong | **–** | – |
| **Deferred tax liabilities** *(Note 29)* | | |
| Convertible bonds | **3,314** | 1,113 |
| Revaluation of properties | **–** | (92) |
| | **3,314** | 1,021 |
| **Total tax credited for the year** | **3,314** | 1,021 |

## 10. TAXATION (Continued)

The tax charge for the year can be reconciled to loss per the consolidated income statement as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % |
| **Loss before taxation** | | | | |
| Continuing operations | (580,458) | | (776,019) | |
| Discontinued operation | – | | 973 | |
| | (580,458) | | (775,046) | |
| Tax at the applicable profits tax rate | (95,776) | (16.5) | (135,633) | (17.5) |
| Tax effect of share of results of an associate | – | – | (8,382) | (1.1) |
| Tax effect of income not taxable for tax purpose | (125,096) | (21.5) | (1,474) | (0.2) |
| Tax effect of expenses not deductible for tax purpose | 220,814 | 38.0 | 216,137 | 27.9 |
| Tax effect of tax losses not recognised | – | – | (70,685) | (9.1) |
| Tax effect of unrecognised temporary differences | (3,256) | (0.6) | (984) | (0.1) |
| Tax at the effective tax rate for the year | (3,314) | (0.6) | (1,021) | (0.1) |

## 11. DISCONTINUED OPERATION

**Disposal of construction business**

On 8 May 2007, the Group entered into a sale agreement to dispose of the Group's construction business. The disposal of the construction business is consistent with the Group's long-term policy to focus its activities in the gaming and entertainment business. The disposal was completed on 8 May 2007, on which date control of the construction business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 33.

| | 2008 |
|---|---|
| | *HK$'000* |
| **Profit for the year from discontinued operation** | |
| Revenue | – |
| Expenses | – |
| Profit before taxation | – |
| Taxation | – |
| | – |
| Gain on disposal of discontinued operation *(Note 33)* | 973 |
| | 973 |
| **Cash flows from discontinued operation** | |
| Net cash flows from operating activities | (4,230) |

## 12. DIRECTORS' REMUNERATION

The board of directors of the Company is currently composed of three executive directors and four independent non-executive directors. Directors' remuneration for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

| Name of directors | Fee | | Salaries and bonus | | Pension scheme contributions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | *HK$'000* | **HK$'000** | *HK$'000* | **HK$'000** | *HK$'000* | **HK$'000** | *HK$'000* |
| **Executive directors** | | | | | | | | |
| Mr. Lum Chor Wah Richard (resigned on 14 November 2008) | **-** | – | **373** | 650 | **8** | 12 | **381** | 662 |
| Mr. Pun Yuen Sang | **-** | – | **405** | 500 | **10** | 12 | **415** | 512 |
| Mr. Tang Hin Keung, Alfred (resigned on 1 November 2008) | **-** | – | **292** | 500 | **7** | 12 | **299** | 512 |
| Mr. Yao Wai Kwok, Daniel (appointed on 1 November 2008) | **-** | – | **113** | – | **3** | – | **116** | – |
| Mr. Leung Wai Man (appointed on 10 March 2009) | **-** | – | **10** | – | **-** | – | **10** | – |
| **Independent non-executive directors** | | | | | | | | |
| Mr. Leung Chi Hung | **100** | 50 | **-** | – | **-** | – | **100** | 50 |
| Mr. Tsui Robert Che Kwong | **100** | 50 | **-** | – | **-** | – | **100** | 50 |
| Mr. Cheung Yim Kong, Johnny | **120** | 120 | **-** | – | **-** | – | **120** | 120 |
| Mr. Lee Chan Wah (appointed on 10 March 2009) | **10** | – | **-** | – | **-** | – | **10** | – |
| | **330** | 220 | **1,193** | 1,650 | **28** | 36 | **1,551** | 1,906 |

During the years ended 31 March 2009 and 2008, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 March 2009 and 2008.

## 13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2008: three) directors, details of whose remuneration are set out in Note 12 above. Mr. Leung Wai Man was one of the employees in the Group before his appointment as a director on 10 March 2009. Therefore, his details of remuneration are set out in both Note 12 and Note 13. Details of the remuneration of the remaining four (2008: two) non-director, highest paid employees for the year are as follows:

**The Group**

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **4,497** | 2,045 |
| Pension scheme contributions | **59** | 20 |
| | **4,556** | 2,065 |

Their emoluments were within the following bands:

| | **Number of employees** | |
|---|---|---|
| | **2009** | 2008 |
| Nil – HK$1,000,000 | **1** | – |
| HK$1,000,000 – HK$1,500,000 | **3** | 2 |

During the years ended 31 March 2009 and 2008, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

## 14. DIVIDENDS

The special dividend of HK1.5 cents per share was paid during the year ended 31 March 2009.

The special dividend of HK4 cents per share and an interim dividend of HK1.5 cents per share in cash and HK4 cents per share in scrip dividend were paid during the year ended 31 March 2008.

## 15. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

**From continuing and discontinued operations**

*Basic loss per share*

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| *Loss* | | |
| Loss attributable to equity holders of the Company for the purpose of basic loss per share | **(577,144)** | (775,976) |

| | 2009<br>'000 | 2008<br>'000 |
|---|---|---|
| *Number of ordinary shares* | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **1,379,728** | 1,116,534 |

*Diluted loss per share*

Diluted loss per share from both continuing and discontinued operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible bonds and share options were not included in the calculation of diluted loss per share from both continuing and discontinued operations because the effect of the Company's outstanding convertible bonds and share options were anti-dilutive.

## 15. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (Continued)

**From continuing operations**

*Basic loss per share*

The calculation of the basic loss per share from continuing operations attributable to equity holders of the Company is based on the following data:

Loss figures are calculated as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to equity holders of the Company | **(577,144)** | (775,976) |
| Less: Profit for the year from discontinued operation | **–** | 973 |
| Loss for the purpose of basic loss per share from continuing operations | **(577,144)** | (776,949) |

The denominators used are the same as those detailed above for both basic and diluted loss per share.

*Diluted loss per share*

Diluted loss per share from continuing operations for the years ended 31 March 2009 and 2008 were the same as the basic loss per share. The Company's outstanding convertible bonds and share options were not included in the calculation of diluted loss per share from continuing operations because the effect of the Company's outstanding convertible bonds and share options were anti-dilutive.

**From discontinued operation**

*Basic and diluted earnings per share*

For the year ended 31 March 2008, basic and diluted earnings per share for the discontinued operation is HK0.09 cents per share, based on the profit for the year from discontinued operation of approximately HK$973,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

## 16. PROPERTY, PLANT AND EQUIPMENT

**The Group**

| | Leasehold improvements HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2007 | 4,740 | 991 | 855 | 6,586 |
| Additions | – | 79 | 870 | 949 |
| Disposals | – | – | (855) | (855) |
| Disposal of subsidiary *(Note 33)* | (242) | (312) | – | (554) |
| At 31 March 2008 and 1 April 2008 | 4,498 | 758 | 870 | 6,126 |
| Additions | – | 12 | – | 12 |
| At 31 March 2009 | 4,498 | 770 | 870 | 6,138 |
| **Accumulated depreciation and impairment** | | | | |
| At 1 April 2007 | 3,614 | 781 | 855 | 5,250 |
| Charged for the year | 247 | 52 | 87 | 386 |
| Written back on disposals | – | – | (855) | (855) |
| Disposal of subsidiary *(Note 33)* | (242) | (312) | – | (554) |
| At 31 March 2008 and 1 April 2008 | 3,619 | 521 | 87 | 4,227 |
| Charged for the year | 247 | 66 | 174 | 487 |
| At 31 March 2009 | 3,866 | 587 | 261 | 4,714 |
| **Net book value** | | | | |
| **At 31 March 2009** | **632** | **183** | **609** | **1,424** |
| At 31 March 2008 | 879 | 237 | 783 | 1,899 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

**The Company**

| | Leasehold improvements HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2007 | 3,263 | 498 | 855 | 4,616 |
| Disposals | – | – | (855) | (855) |
| At 31 March 2008, 1 April 2008 and 31 March 2009 | 3,263 | 498 | – | 3,761 |
| **Accumulated depreciation and impairment** | | | | |
| At 1 April 2007 | 3,263 | 454 | 855 | 4,572 |
| Charged for the year | – | 13 | – | 13 |
| Written back on disposals | – | – | (855) | (855) |
| At 31 March 2008 and 1 April 2008 | 3,263 | 467 | – | 3,730 |
| Charged for the year | – | 13 | – | 13 |
| At 31 March 2009 | 3,263 | 480 | – | 3,743 |
| **Net book value** | | | | |
| **At 31 March 2009** | **–** | **18** | **–** | **18** |
| At 31 March 2008 | – | 31 | – | 31 |

## 17. INTANGIBLE ASSETS

**The Group**

| | Rights in sharing of profit streams<br>*HK$'000* |
|---|---|
| **Cost** | |
| At 1 April 2007 | – |
| Additions arising from acquisition of subsidiaries | 2,700,307 |
| At 31 March 2008 and 1 April 2008 | 2,700,307 |
| Additions arising from acquisition of subsidiaries | 1,183,424 |
| At 31 March 2009 | 3,883,731 |
| **Accumulated impairment** | |
| At 1 April 2007 | – |
| Impairment loss recognised for the year | 778,278 |
| At 31 March 2008 and 1 April 2008 | 778,278 |
| Impairment loss recognised for the year | 1,006,584 |
| At 31 March 2009 | 1,784,862 |
| **Carrying amount** | |
| **At 31 March 2009** | **2,098,869** |
| At 31 March 2008 | 1,922,029 |

## 17. INTANGIBLE ASSETS (Continued)

Details of intangible assets are as follows:

| | Sat Ieng Profit Agreement | Dore Profit Agreement | Nove Profit Agreement | Joli Profit Agreement | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2007 | – | – | – | – | – |
| Addition on acquisitions of subsidiaries | 528,013 | 614,565 | 1,494,640 | – | 2,637,218 |
| Revaluation arisen from further acquisitions *(note i)* | 62,451 | – | 638 | – | 63,089 |
| | 590,464 | 614,565 | 1,495,278 | – | 2,700,307 |
| Impairment loss recognised for the year | – | – | (778,278) | – | (778,278) |
| At 31 March 2008 and 1 April 2008 | 590,464 | 614,565 | 717,000 | – | 1,922,029 |
| Addition on acquisitions of subsidiaries | – | – | – | 1,183,424 | 1,183,424 |
| | 590,464 | 614,565 | 717,000 | 1,183,424 | 3,105,453 |
| Impairment loss recognised for the year | (340,828) | (354,740) | (311,016) | – | (1,006,584) |
| **At 31 March 2009** | **249,636** | **259,825** | **405,984** | **1,183,424** | **2,098,869** |

*Note:*

(i) Amount of approximately HK$62,451,000 represents the adjustment on change in fair values of Worth Perfect between the initial acquisition of 49% equity interest on 4 January 2007 and further acquisition of 51% equity interest on 12 June 2007; and amount of approximately HK$638,000 represents the adjustment on change in fair values of Triple Gain between the initial acquisition of 60% equity interest on 10 December 2007 and further acquisition of 40% equity interest on 18 December 2007.

(ii) The intangible assets represent the rights in sharing of profit streams, from junket business at the casinos' VIP rooms in Macau for an indefinite period of time. Such intangible assets are carried at cost less accumulated impairment losses.

Impairment loss in respect of intangible assets of approximately HK$1,006,584,000 (2008: HK$778,278,000) was recognised during the year ended 31 March 2009 by reference to the valuation report issued by Messrs. Grant Sherman Appraisal Limited ("Grant Sherman"), independent qualified professional valuers, at 31 March 2009 which valued the intangible assets on discounted cash flow method. The main factor contributing to the impairment was the profit generated from the Sat Ieng Profit Agreement, the Dore Profit Agreement and the Nove Profit Agreement did not turnout as expected.

The junket licences associated with the rights in sharing of profit streams is renewable annually by the Macau Government. The directors of the Company are not aware of any expected impediment with respect to the renewal of licences and consider that the possibility of failing in licence renewal is remote. Therefore, the directors of the Company consider that the intangible assets are treated as having indefinite useful lives.

## 18. INVESTMENT PROPERTY

**The Group**

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Fair value** | | |
| At the beginning of the year | **10,760** | 10,200 |
| Fair value changes | **–** | 560 |
| Disposal of subsidiaries *(Note 33)* | **(10,760)** | – |
| At the end of the year | **–** | 10,760 |

The fair value of the Group's investment property at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by Grant Sherman, independent qualified professional valuers not connected with the Group. Grant Sherman are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment property is situated in Hong Kong under long-term lease and is held for capital appreciation.

The investment property was disposed of during the year. Please refer to Note 33 for details. No rental income was recognised during the years ended 31 March 2009 and 2008.

## 19. GOODWILL

**The Group**

| | HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2007 | 9,747 |
| Additions arising from acquisition of a subsidiary | 362,409 |
| At 31 March 2008 and 1 April 2008 | 372,156 |
| Additions arising from acquisitions of subsidiaries *(Note 32)* | 436,749 |
| Adjustments to measurement for acquisitions *(note)* | (87,560) |
| At 31 March 2009 | 721,345 |
| **Accumulated impairment** | |
| At 1 April 2007 | 8,536 |
| Impairment loss recognised for the year | 210,404 |
| At 31 March 2008 and 1 April 2008 | 218,940 |
| Impairment loss recognised for the year | 73,522 |
| At 31 March 2009 | 292,462 |
| **Carrying amount** | |
| **At 31 March 2009** | **428,883** |
| At 31 March 2008 | 153,216 |

The Group uses business segment as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill with indefinite useful lives has been allocated to cash generating unit (CGU) determined based on the related segment. The carrying amount of goodwill (net of impairment losses) at 31 March 2009 and 2008 allocated to this unit is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gaming and entertainment unit | **428,883** | 153,216 |

## 19. GOODWILL (Continued)

During the year ended 31 March 2009, the management assessed the recoverable amount of goodwill, and determined the goodwill associated with the acquisition of Worth Perfect was impaired by approximately HK$73,522,000. The main factor contributing to the impairment of goodwill was the profit guarantee under the Sat Ieng Profit Agreement and the Dore Profit Agreement have not been attained.

During the year ended 31 March 2008, the management assessed the recoverable amount of goodwill, and determined the goodwill associated with the acquisition of Triple Gain was impaired by approximately HK$210,404,000. The main factor contributing to the impairment of goodwill was the profit guarantee under the Nove Profit Agreement has not been attained.

The recoverable amount of the above CGU has been determined on the basis of value in use calculations. The recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on the financial budgets approved by the management covering a five-year period, which represents the management's best estimate of future cash flow from the CGU, and a discount rate of approximately 18.87% (2008: 18.87%). The cash flows beyond five-year period are extrapolated using a zero growth rate for an indefinite period. Another key assumption is the budgeted revenue, which is determined based on the CGUs' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

*Note:*

The amounts represented the adjustments to the contingent consideration for acquisitions of Richsense Limited ("Richsense") and Leading Century International Limited ("Leading Century") due to the shortfall in respect of the profit guarantee under the Dore Profit Agreement and the Joli Profit Agreement 1 of approximately HK$79,694,000 and HK$7,866,000 respectively.

## 20. INTERESTS IN SUBSIDIARIES

**The Company**

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Investment cost | **36,801** | 36,801 |
| Less: Accumulated impairment loss recognised | **(36,801)** | (8,618) |
| | **–** | 28,183 |
| Amounts due from subsidiaries | **3,835,444** | 2,972,729 |
| Less: Accumulated impairment loss recognised | **(1,133,539)** | (786,300) |
| | **2,701,905** | 2,186,429 |
| | **2,701,905** | 2,214,612 |
| Amounts due to subsidiaries | **174,795** | 174,804 |

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The directors had estimated the investment costs and the advances by discounting their future cash flow at the prevailing market borrowing rate and considered a provision for impairment loss of approximately HK$347,239,000 (2008: HK$750,000,000) should be made in respect of amounts due from subsidiaries.

Particulars of the Company's subsidiaries at 31 March 2009 are set out in Note 40 to the financial statements.

## 21. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days. The Group receives the profit streams from its acquiree companies within 15 days of the subsequent month. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed by senior management regularly.

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

**The Group**

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **51,036** | 49,026 |

Included in the Group's accounts receivable balance, no debtors are past due at the date of approval of these financial statements (2008: Nil). The Group does not hold any collateral over these balances.

## 22. DEPOSITS AND OTHER RECEIVABLES

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Deposits | **336** | 336 | **–** | – |
| Other receivables *(note)* | **50** | 25,920 | **50** | – |
| | **386** | 26,256 | **50** | – |

*Note:*

At 31 March 2008, the other receivables represent the shortfall in respect of the profit guarantee under the Nove Profit Agreement receivable from Power Rush Holdings Limited ("Power Rush"). Please refer to Note 32(e)(vi) for details.

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

**The Group and the Company**

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Financial assets at fair value through profit or loss comprise: | | |
| Held for trading: | | |
| – Equity securities listed in Hong Kong | **53,589** | 38,220 |

The fair values of the listed equity securities are determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS

**The Group and the Company**

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Assets** | | |
| Redemption options derivatives embedded in convertible bonds | | |
| At the beginning of the year | **38,651** | – |
| Arising on issuance of convertible bonds *(Note 28)* | **68,924** | 139,825 |
| Derecognition due to cancellation of convertible bonds | **(442)** | – |
| Derecognition due to early redemption of convertible bond | **(5,933)** | – |
| Fair values changes | **(66,779)** | (101,174) |
| **At the end of the year** | **34,421** | 38,651 |

Pursuant to the agreements in relation to the issuance of convertible bonds *(Note 28)*, redemption options are held by the Company. The Company may at any time from the date of issue of the convertible bonds up to the date immediately before the maturity date of the convertible bonds, redeem the convertible bonds (in whole or in part) at the principal amount of the convertible bonds to be redeemed.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The redemption option derivatives are carried at fair values at the balance sheet date. The fair value of the redemption options derivatives embedded in the convertible bonds is approximately HK$34,421,000 (2008: 38,651,000) and are calculated using the Binomial option pricing model. Details of the variables and assumptions of the model are as follows:

| | **Second Convertible Bond** | **Third Convertible Bond** | **Fourth Convertible Bond** | **Fifth Convertible Bonds** |
|---|---|---|---|---|
| Date of issue: | 11 June 2007 | 10 December 2007 | 18 December 2007 | 6 November 2008 |
| Share price at date of issue: | HK$24.51 | HK$21.5 | HK$17.8 | HK$0.57 |
| Remaining life at 31 March 2009: | 8.2 years | 8.7 years | 8.7 years | 9.6 years |
| Risk free interest rate: | 2.545% | 2.584% | 2.584% | 2.174% |
| Expected volatility: | 82.06% | 82.06% | 82.06% | 100.48% |

## 25. OTHER PAYABLES AND ACCRUALS

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Other payables *(note)* | **74,969** | 19,104 | **74,937** | 19,099 |
| Accruals | **4,084** | 2,587 | **4,077** | 2,179 |
| | **79,053** | 21,691 | **79,014** | 21,278 |

*Note:*

The other payables mainly represent the interest payable arose from promissory notes and convertible bonds as disclosed in Note 27 and 28 to the financial statements.

## 26. LOAN FROM A SHAREHOLDER

**The Group and the Company**

The loan from a shareholder is unsecured, interest-free and has no fixed repayment terms. The shareholder would not demand repayment within one year from the balance sheet date and the amount is therefore shown as a non-current liability.

## 27. PROMISSORY NOTES – DUE AFTER ONE YEAR

**The Group and the Company**

On 4 January 2007, the Company issued First Promissory Note I in a principal amount of HK$61,600,000, First Promissory Note II in a principal amount of HK$183,000,000 and Second Promissory Note in a principal amount of HK$160,000,000 due on 3 January 2017. First Promissory Note I and First Promissory Note II (the "First Promissory Notes") were issued for acquiring the entire issued share capital of Youngrich Limited ("Youngrich") and bear interest at 5% per annum, payable annually in arrears. Second Promissory Note was issued to a then substantial shareholder of the Company to finance the acquisition of the entire issued share capital of Youngrich and is interest-free. The effective interest rate is 7.7%.

On 11 June 2007, the Company issued Third Promissory Note I in a principal amount of HK$129,421,000 and Third Promissory Note II in a principal amount of HK$70,579,000 due on 10 June 2017. Third Promissory Note I and Third Promissory Note II (the "Third Promissory Notes") were issued for acquiring the entire issued share capital of Richsense and bear interest at 5% per annum, payable annually in arrears. The effective interest rate is 8.0%.

On 20 May 2008, the Company issued Fourth Promissory Note in a principal amount of HK$48,000,000 due on 19 May 2013. Fourth Promissory Note was issued for acquiring the entire issued share capital of Leading Century and bear interest at 5% per annum, payable quarterly in arrears *(Note 32(a))*. The effective interest rate is 5.25%. During the year ended 31 March 2009, part of Fourth Promissory Note with a principal amount of approximately HK$7,866,000 was cancelled due to shortfall in profit guarantee of the Joli Profit Agreement 1 *(Note 32(a)(v))*.

Pursuant to the share acquisition agreements in relation to the issuance of promissory notes, the Company has the right to early redeem the promissory notes. The Company may at any time from the date of issue of the promissory notes up to the date immediately before the maturity date of the promissory notes, redeem the promissory notes (in whole or in part) at the principal amount of the promissory notes to be redeemed. In the opinion of the directors, the Company would not call for early redemption of promissory notes and the fair value of redemption option derivatives are minimal.

## 27. PROMISSORY NOTES – DUE AFTER ONE YEAR (Continued)

**The Group and the Company** (Continued)

| | First Promissory Notes | Second Promissory Note | Third Promissory Notes | Fourth Promissory Note | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2007 | 199,182 | 75,560 | – | – | 274,742 |
| Fair value of promissory notes | – | – | 165,259 | – | 165,259 |
| Interest expenses charged | 15,583 | 6,000 | 10,833 | – | 32,416 |
| Interest expenses payable | (15,220) | – | (8,194) | – | (23,414) |
| At 31 March 2008 and 1 April 2008 | 199,545 | 81,560 | 167,898 | – | 449,003 |
| Fair value of promissory notes | – | – | – | 47,484 | 47,484 |
| Interest expenses charged | 16,061 | 6,531 | 13,432 | 2,157 | 38,181 |
| Interest expenses payable | (12,230) | – | (10,000) | (2,077) | (24,307) |
| Cancellation of promissory note | – | – | – | (7,794) | (7,794) |
| **At 31 March 2009** | **203,376** | **88,091** | **171,330** | **39,770** | **502,567** |

## 28. CONVERTIBLE BONDS – DUE AFTER ONE YEAR

**The Group and the Company**

On 4 January 2007, the Company issued First Convertible Bond due on 3 January 2017 with a principal amount of HK$134,400,000, which is interest-bearing at 5% per annum, payable annually in arrears. The First Convertible Bond due on 3 January 2017 is convertible into fully paid ordinary shares with a par value of HK$1 each of the Company at an initial conversion price of HK$10 per share, subject to adjustment. The First Convertible Bond was issued as part of the consideration for the acquisition of entire issued share capital of Youngrich. The effective interest rate is 7.7%. During the year ended 31 March 2009, part of First Convertible Bond with a principal amount of HK$125,200,000 was converted into shares of the Company.

On 11 June 2007, the Company issued Second Convertible Bond with a principal amount of HK$118,800,000, which is interest-bearing at 5% per annum, payable annually in arrears. The Second Convertible Bond due on 10 June 2017 is convertible into fully paid ordinary shares with a par value of HK$1 each of the Company at an initial conversion price of HK$22 per share, subject to adjustment. The Second Convertible Bond was issued as part of the consideration for the acquisition of the entire issued share capital of Richsense. The effective interest rate is 8%. During the year ended 31 March 2009, part of Second Convertible Bond with a principal amount of approximately $79,694,000 was cancelled due to shortfall in profit guarantee of the Dore Profit Agreement and the Sat Ieng Profit Agreement.

## 28. CONVERTIBLE BONDS – DUE AFTER ONE YEAR (Continued)

**The Group and the Company** (Continued)

On 10 December 2007, the Company issued Third Convertible Bond with a principal amount of HK$270,000,000, which is interest-bearing at 5% per annum, payable quarterly in arrears. The Third Convertible Bond due on 9 December 2017 is convertible into fully paid ordinary shares with a par value of HK$1 each of the Company at an initial conversion price of HK$32 per share, subject to adjustment. The Third Convertible Bond was issued as part of the consideration for the acquisition of 60% of the total issued share capital of Triple Gain. The effective interest rate is 8%. During the year ended 31 March 2009, part of Third Convertible Bond with a principal amount of $108,750,000 was early redeemed, and part of Third Convertible Bond with a principal amount of approximately $161,250,000 was cancelled due to shortfall in profit guarantee of the Nove Profit Agreement.

On 18 December 2007, the Company issued Fourth Convertible Bond with a principal amount of HK$252,000,000, which is interest-bearing at 5% per annum, payable annually in arrears. The Fourth Convertible Bond due on 17 December 2017 is convertible into fully paid ordinary shares with a par value of HK$1 each of the Company at an initial conversion price of HK$32 per share, subject to adjustment. The Fourth Convertible Bond was issued as part of the consideration for the acquisition of the remaining 40% of the total issued share capital of Triple Gain. The effective interest rate is 8%. During the year ended 31 March 2009, part of Fourth Convertible Bond with a principal amount of approximately $40,881,000 was cancelled due to shortfall in profit guarantee of the Nove Profit Agreement.

On 6 November 2008, the Company issued Fifth Convertible Bond I in a principal amount of HK$906,192,000, Fifth Convertible Bond II in a principal amount of HK$388,368,000, and Fifth Convertible Bond III in a principal amount of HK$186,990,275 (the "Fifth Convertible Bonds") which are interest-bearing at 7% per annum, payable quarterly in arrears. The Fifth Convertible Bonds due on 5 November 2018 is convertible into fully paid ordinary shares with a par value of HK$1 each of the Company at an initial conversion price of HK$4.6 per share, subject to adjustment. The Fifth Convertible Bonds were issued as part of the consideration for the acquisition of the entire issued share capital of East & West International Inc. ("East & West") *(Note 32(b))* and Pacific Force Inc. ("Pacific Force") *(Note 32(c))*. The effective interest rate is 8%.

The convertible bonds contain liability and equity components and redemption option. The equity component is presented in equity heading "convertible bonds reserve" and the redemption option is presented in current assets heading "derivative financial instruments" *(Note 24)*. The effective interest rate of the liability component is 8%.

The convertible bonds contain an option which allow the Company to request the bondholder to convert certain amount of the convertible bonds. The value of option is included in convertible bonds reserve.

The fair value of the liability component of the convertible bonds at 31 March 2009 and 2008 was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date. For details of fair value of the liability component, please refer to Note 4(b) to the financial statements.

## 28. CONVERTIBLE BONDS – DUE AFTER ONE YEAR (Continued)

**The Group and the Company** (Continued)

The convertible bonds issued during the year have been spilt as to the liability and equity components and redemption option, as follows:

| | First Convertible Bond HK$'000 | Second Convertible Bond HK$'000 | Third Convertible Bond HK$'000 | Fourth Convertible Bond HK$'000 | Fifth Convertible Bonds HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Fair value of convertible bonds issued | 236,146 | 136,800 | 275,411 | 249,945 | 891,212 | 1,789,514 |
| Derivative financial instruments | – | 55,257 | 49,343 | 35,225 | 68,924 | 208,749 |
| Liability component | (95,418) | (89,868) | (215,572) | (204,901) | (828,407) | (1,434,166) |
| **Equity component** | **140,728** | **102,189** | **109,182** | **80,269** | **131,729** | **564,097** |
| At 1 April 2007 | 97,284 | – | – | – | – | 97,284 |
| Liability component | – | 89,868 | 215,572 | 204,901 | – | 510,341 |
| Interest expenses charged | 9,571 | 6,375 | 5,227 | 4,469 | – | 25,642 |
| Interest expenses payable | (8,363) | (4,867) | (4,238) | (3,676) | – | (21,144) |
| At 31 March 2008 and 1 April 2008 | 98,492 | 91,376 | 216,561 | 205,694 | – | 612,123 |
| Liability component | – | – | – | – | 828,407 | 828,407 |
| Cancellation of convertible bonds *(note a)* | – | (62,613) | (131,688) | (33,924) | – | (228,225) |
| Conversion of convertible bonds into shares | (92,110) | – | – | – | – | (92,110) |
| Early redemption of convertible bonds *(note a)* | – | – | (87,226) | – | – | (87,226) |
| Interest expenses charged | 1,924 | 7,758 | 10,415 | 16,022 | 52,949 | 89,068 |
| Interest expenses payable | (1,364) | (5,763) | (8,062) | (12,600) | (41,195) | (68,984) |
| **At 31 March 2009** | **6,942** | **30,758** | **-** | **175,192** | **840,161** | **1,053,053** |

*Note:*

(a) During the year ended 31 March 2009, Second Convertible Bond, Third Convertible Bond and Fourth Convertible Bond were partially cancelled in relation to the compensation regarding to the profit guarantee of the Dore Profit Agreement and the Nove Profit Agreement. The cancellation of these convertible bonds led to a gain of approximately HK$116,292,000. Such gain comprised of the loss on cancellation of liability components of convertible bonds of approximately HK$116,734,000 and the loss on derecognition of derivative financial instruments of approximately HK$442,000 *(Note 24)*.

The gain on cancellation of convertible bonds is derived from the difference between the carrying amounts of liability components of approximately HK$228,225,000 and the fair values of liability components of approximately HK$111,491,000.

On 2 April 2008, part of Third Convertible Bond was early redeemed by the Company. A loss of approximately HK$15,240,000 was derived from the loss on early redemption of liability component of Third Convertible Bond of approximately HK$9,307,000 and the loss on derecognition of derivative financial instruments of approximately HK$5,933,000 *(Note 24)*.

The loss on early redemption of liability component of convertible bond is derived from the difference between the carrying amount of liability component of approximately HK$87,226,000 and fair value of liability components of approximately HK$96,533,000.

Upon early redemption and cancellation of the convertible bonds as stated above, the equity component and deferred tax liabilities in relation to the convertible bonds are released to accumulated losses.

## 29. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the years ended 31 March 2009 and 2008:

**The Group**

| | Convertible bonds HK$'000 | Revaluation of properties HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2007 | 6,495 | – | 6,495 |
| (Credited)/charged to consolidated income statement for the year | (1,113) | 92 | (1,021) |
| Charged to equity for the year | 21,526 | – | 21,526 |
| At 31 March 2008 and 1 April 2008 | 26,908 | 92 | 27,000 |
| Credited to consolidated income statement for the year | (3,314) | – | (3,314) |
| Charged to equity for the year | 107,768 | – | 107,768 |
| Reversal of deferred tax liabilities due to early redemption of convertible bond | (3,551) | – | (3,551) |
| Reversal of deferred tax liabilities due to cancellation of convertible bonds | (8,844) | – | (8,844) |
| Reversal of deferred tax liabilities due to conversion of convertible bonds | (5,460) | – | (5,460) |
| Reversal of deferred tax liabilities due to disposal of subsidiaries *(Note 33)* | – | (92) | (92) |
| **At 31 March 2009** | **113,507** | **–** | **113,507** |

**The Company**

| | Convertible bonds HK$'000 |
|---|---|
| At 1 April 2007 | 6,495 |
| Credited to income statement for the year | (1,113) |
| Charged to equity for the year | 21,526 |
| At 31 March 2008 and 1 April 2008 | 26,908 |
| Credited to income statement for the year | (3,314) |
| Charged to equity for the year | 107,768 |
| Reversal of deferred tax liabilities due to early redemption of convertible bond | (3,551) |
| Reversal of deferred tax liabilities due to cancellation of convertible bonds | (8,844) |
| Reversal of deferred tax liabilities due to conversion of convertible bonds | (5,460) |
| **At 31 March 2009** | **113,507** |

## 29. DEFERRED TAX LIABILITIES (Continued)

At the balance sheet date, the Group has the following major unrecognised deferred tax assets due to the unpredictability of future profit streams.

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Tax losses | **3,950** | 3,950 |

The unrecognised tax losses may be carried forward indefinitely.

## 30. SHARE CAPITAL

### (a) Shares

| | **Number of ordinary shares** | | **Share capital** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | ***'000*** | *'000* | ***HK$'000*** | *HK$'000* |
| **Authorised** | | | | |
| At the beginning of the year, ordinary shares of HK$0.1 each | **2,000,000** | 1,000,000 | **200,000** | 100,000 |
| Increase in authorised share capital *(note i)* | **4,000,000** | 1,000,000 | **400,000** | 100,000 |
| Share consolidation *(note ii)* | **(5,400,000)** | – | **–** | – |
| At the end of the year, ordinary shares of HK$1 each | **600,000** | 2,000,000 | **600,000** | 200,000 |
| **Issued and fully paid** | | | | |
| At the beginning of the year, ordinary shares of HK$0.1 each | **1,412,855** | 878,000 | **141,286** | 87,800 |
| Issue of ordinary shares *(note iii)* | **347,848** | 206,280 | **34,784** | 20,628 |
| Conversion of convertible bonds *(note iv)* | **125,200** | – | **12,520** | – |
| Consideration shares *(note v)* | **305,152** | 132,560 | **30,515** | 13,256 |
| Exercise of share options *(Note 35)* | **–** | 149,188 | **–** | 14,919 |
| Scrip dividend *(note vi)* | **–** | 46,827 | **–** | 4,683 |
| Share consolidation *(note ii)* | **(1,971,950)** | – | **–** | – |
| Open offer *(note vii)* | **109,553** | – | **109,553** | – |
| At the end of the year, ordinary shares of HK$1 each | **328,658** | 1,412,855 | **328,658** | 141,286 |

## 30. SHARE CAPITAL (Continued)

### (a) Shares (Continued)

*Note:*

(i) Pursuant to a ordinary resolution passed in the extraordinary general meeting held on 8 June 2007, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 unissued ordinary shares of HK$0.1 each.

Pursuant to a resolution passed in the ordinary resolution passed in annual general meeting held on 11 September 2008, the authorised share capital of the Company was increased from HK$200,000,000 to HK$600,000,000 by the creation of an additional 4,000,000,000 unissued ordinary shares of HK$0.1 each.

(ii) Pursuant to an ordinary resolution passed in the special general meeting on 18 December 2008, every ten issued and unissued shares of the Company of HK$0.1 each were consolidated into one consolidated share of HK$1 each.

(iii) The Company placed 161,280,000 ordinary shares of HK$0.1 each at a placing price of HK$2.65 per share. The ordinary shares were issued on 24 July 2007 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

The Company placed 45,000,000 ordinary shares of HK$0.1 each at a placing price of HK$2.65 per share. The ordinary shares were issued on 5 October 2007 for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

The Company placed 347,848,000 ordinary shares of HK$0.1 each at a placing price of HK$0.17 per share. The ordinary shares were issued on 9 October 2008 for the purpose of raising capital for the Group to strengthen its financial position while broadening its shareholder and capital base. The new shares rank pari passu with the existing shares in all respects.

(iv) On 1 April 2008, 82,400,000 ordinary shares of HK$0.1 each were issued by the Company as a result of the exercise of the conversion rights attached to the First Convertible Bond of an aggregate principal amount of HK$82,400,000 issued by the Company on 4 January 2007 at a conversion price of HK$1 each (before share consolidation on 19 December 2008).

On 30 May 2008, 20,000,000 ordinary shares of HK$0.1 each were issued by the Company as a result of the exercise of the conversion rights attached to the First Convertible Bond of an aggregate principal amount of HK$20,000,000 issued by the Company on 4 January 2007 at a conversion price of HK$1 each (before share consolidation on 19 December 2008).

On 10 October 2008, 22,800,000 ordinary shares of HK$0.1 each were issued by the Company as a result of the exercise of the conversion rights attached to the First Convertible Bond of an aggregate principal amount of HK$22,800,000 issued by the Company on 4 January 2007 at a conversion price of HK$1 each (before share consolidation on 19 December 2008).

(v) On 27 February 2007, the Company entered into a conditional sale and purchase agreement to acquire from Rich Game Capital Inc., a 100% of the issued share capital of Richsense for a total consideration of HK$765,000,000. The conditional sale and purchase agreement was completed on 12 June 2007. The consideration for the acquisition was satisfied by (i) HK$419,421,000 in cash; (ii) the issue of convertible bonds in a principal amount of HK$118,800,000; (iii) the issue of promissory notes in a principal amount of HK$200,000,000; and (iv) issue 17,560,000 ordinary shares at an issue price of HK$1.525 per share for the rest of the consideration in sum of HK$26,779,000.

## 30. SHARE CAPITAL (Continued)

### (a) Shares (Continued)

*Note:* (Continued)

(v) On 24 August 2007, Team Jade Enterprises Limited ("Team Jade") entered into a conditional sale and purchase agreement to acquire from Power Rush, a 60% of issued share capital of Triple Gain for a total consideration of HK$993,600,000. The consideration for the acquisition was satisfied by (i) paying refundable deposits of HK$460,000,000; (ii) paying HK$64,850,000 in cash upon completion of the acquisition; (iii) the issue of convertible bonds in a principal amount of HK$270,000,000; and (iv) the issue of 75,000,00 new shares at an issue price of HK$2.65 per share for the rest of the consideration in sum of HK$198,750,000. The acquisition of 60% of the total issued share capital of Triple Gain from Power Rush was completed on 10 December 2007.

On 10 December 2007, Team Jade exercised its call option to acquire from Power Rush the remaining 40% of the total issued share capital of Triple Gain for a total consideration of HK$806,400,000. The consideration was satisfied by (i) paying HK$448,400,000 in cash; (ii) the issue of convertible bonds in a principal amount of HK$252,000,000; and (iii) the issue of 40,000,000 new shares at an issue price of HK$2.65 per share for the rest of the consideration in sum of HK$106,000,000. The acquisition of the remaining 40% of the total issued share capital of Triple Gain was completed on 18 December 2007.

On 5 May 2008, Team Jade entered into a conditional sale and purchase agreement to acquire the entire issued share capital of Leading Century for a total consideration of HK$302,720,000. The acquisition was completed on 20 May 2008. The consideration for the acquisition was satisfied by (i) paying HK$30,720,000 in cash; (ii) the issue of promissory note in a principal amount of HK$48,000,000; and (iii) the issue of 224,000,000 new shares at an issue price of HK$0.65 per share for the rest of the consideration in sum of HK$145,600,000. For further details, please refer to Note 32(a) to the financial statements.

On 24 June 2008, Team Jade entered into a conditional sale and purchase agreement to acquire the entire issued share capital of Pacific Force for a total consideration of HK$224,320,000. The acquisition was completed on 6 November 2008. The consideration for the acquisition was satisfied by (i) the issue of convertible bonds in a principal amount of approximately HK$186,990,000; and (ii) the issue of approximately 81,152,000 new shares at an issue price of HK$0.46 per share. For further details, please refer to Note 32(c) to the financial statements.

(vi) On 23 January 2008, the directors declared the payment of interim dividend of HK4 cents per share in scrip. A total of 46,827,000 shares have been issued to shareholders.

(vii) The Company issued approximately 109,553,000 ordinary shares of HK$1 each at a price of HK$1 per share by way of open offer to the qualifying shareholders. The ordinary shares were issued on 13 January 2009 for the purpose of financing possible diversified investments and increasing general working capital of the Group. The new shares rank pari passu with the existing shares in all respects.

### (b) Share option scheme

A share option scheme (the "Scheme") was conditionally approved by a written resolution of all shareholders of the Company dated 6 July 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to enable the Company to grant options to selected employees and directors as an incentive or reward for their contribution to the Group. The board of directors (the "Board") may, at its discretion, invite any executive directors, non-executive directors, independent non-executive directors and/or full-time or part-time employees of any company in the Group from time to time whom determined by the Board as having contributed to the development and growth of the Company and/or any of its subsidiaries, to take up options at HK$1 each to subscribe for such number of shares as the Board shall determine, at a price calculated in accordance with the paragraph below.

The subscription price for shares under the Scheme will be a price determined by the Board and notified to each grantee and will be the higher of (i) the average closing prices of the shares on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant; or (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a business day; and (iii) the nominal value of a share.

## 30. SHARE CAPITAL (Continued)

### (b) Share option scheme (Continued)

The maximum number of shares to be issued upon exercise of all outstanding options under the Scheme and any other share option schemes of the Company will not exceed 30% (or where applicable, such higher percentage as may from time to time to be permitted under the Listing Rules or by the Stock Exchange) of the total number of the issued shares from time to time. The total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 67,200,000 shares, representing 10% of the issued share capital of the Company, as at the date of listing of shares on the Stock Exchange. The Company may seek approval of its shareholders at a general meeting to renew the 10% limit. However, the total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes of the Company in these circumstances, must not exceed 10% of the issued share capital of the Company at the date of approval of renewing such a limit. No option may be granted to any one person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted and to be granted to him/her in the 12-month period up to and including the date of such a grant, to exceed 1% of the issued share capital of the Company as at the date of the grant. Any further grant of options in excess of the foregoing limit must be subject to the approval of the shareholders of the Company in a general meeting.

A grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by all the independent non-executive directors (excluding any independent non-executive directors who or whose associate is the proposed grantee of the options). If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to any such person in the 12-month period up to and including the date of such a grant (i) representing in aggregate over 0.1% of the shares in issue as at the date of such a further proposed grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange at the date of such a grant, in excess of HK$5,000,000; such a further grant shall be subject to the approval of the shareholders of the Company in a general meeting. Shareholders' approval must be obtained for any change in the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive director of the Company or their respective associates.

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing immediately after the date on which the option is accepted and deemed to be granted and expiring on a date to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the option is accepted and deemed to be granted. According to the Scheme, there is no general requirement for a minimum holding period or performance targets before an option may be exercised.

The directors may terminate the Scheme, subject to shareholders' approval in a general meeting, at any time, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Scheme. Any cancellation of options granted, but not exercised, shall be approved by the shareholders of the Company in a general meeting.

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses quality for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) expect where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is expires (when it is released directly to retained profits).

## 31. RESERVES

### (a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

### (b) The Company

| | Share premium HK$'000 (note i) | Contributed surplus HK$'000 (note ii) | Convertible bonds reserve HK$'000 (note iii) | Capital reserve HK$'000 (note iv) | Share option reserve HK$'000 (note v) | (Accumulated losses)/ retained profit HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 April 2007 | 288,022 | 2,696 | 134,233 | 85,889 | – | 10,577 | 521,417 |
| Net loss for the year | – | – | – | – | – | (869,684) | (869,684) |
| Recognition of equity-settled share-based payment | – | – | – | – | 70,243 | – | 70,243 |
| Consideration shares | 262,918 | – | – | – | – | – | 262,918 |
| Equity component of convertible bonds | – | – | 291,640 | – | – | – | 291,640 |
| Deferred tax arising on issue of convertible bonds | – | – | (21,526) | – | – | – | (21,526) |
| Issue of ordinary shares upon exercise of share options | 277,100 | – | – | – | (54,778) | – | 222,322 |
| Issue of ordinary shares | 526,014 | – | – | – | – | – | 526,014 |
| Share issue expenses | (8,795) | – | – | – | – | – | (8,795) |
| Scrip dividend | 42,144 | – | – | – | – | (46,827) | (4,683) |
| Dividend paid | – | – | – | – | – | (70,700) | (70,700) |
| At 31 March 2008 and 1 April 2008 | 1,387,403 | 2,696 | 404,347 | 85,889 | 15,465 | (976,634) | 919,166 |
| Net loss for the year | – | – | – | – | – | (509,620) | (509,620) |
| Consideration shares | 117,471 | – | – | – | – | – | 117,471 |
| Equity component of convertible bonds | – | – | 131,729 | – | – | – | 131,729 |
| Deferred tax arising on issue of convertible bonds | – | – | (107,768) | – | – | – | (107,768) |
| Conversion of convertible bonds into shares | 210,094 | – | (125,045) | – | – | – | 85,049 |
| Early redemption of convertible bond | – | – | (40,359) | – | – | 31,694 | (8,665) |
| Cancellation of convertible bonds | – | – | (136,952) | – | – | (24,538) | (161,490) |
| Expiration of share options | – | – | – | – | (15,465) | 15,465 | – |
| Issue of ordinary shares | 24,349 | – | – | – | – | – | 24,349 |
| Share issue expenses | (648) | – | – | – | – | – | (648) |
| Share premium cancellation *(note i)* | (1,387,403) | 472,295 | – | – | – | 915,108 | – |
| Open offer expenses | (2,412) | – | – | – | – | – | (2,412) |
| Dividend paid | – | – | – | – | – | (31,648) | (31,648) |
| **At 31 March 2009** | **348,854** | **474,991** | **125,952** | **85,889** | **-** | **(580,173)** | **455,513** |

## 31. RESERVES (Continued)

### (b) The Company (Continued)

*Notes:*

(i) The share premium account of the Company includes shares issued at premium.

During the year ended 31 March 2009, the Company had passed a special resolution that the amount of approximately HK$1,387,403,000, which represented the total amount standing to the credit of the share premium account of the Company as at 31 March 2008, be cancelled and eliminated in full against the accumulated losses of the Company as at 31 March 2008 and the remaining balance of the credit arising therefrom be credited to the contributed surplus account of the Company.

(ii) The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(iii) The convertible bonds reserve represents the equity components of each of the convertible bonds issued during the year. Each convertible bond issued are split into their liability and equity components at initial recognition at the fair values of each of the convertible bonds, which are determined by independent qualified professional valuers.

(iv) The capital reserve of the Company represents the cash received in excess of the fair value of the Second Promissory Note issued by the Company *(Note 27)*.

(v) The share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant options, the total of which is based on the fair value of the options at grant date. The amount is recognised as staff costs and related expenses with a corresponding increase in the share option reserve.

The share options granted are all expired during the year and are released directly to accumulated losses.

## 32. ACQUISITIONS OF SUBSIDIARIES

### For the year ended 31 March 2009

(a) On 20 May 2008, Team Jade acquired the entire issued share capital of Leading Century from Multi Fit Investments Limited ("Multi Fit"). The major asset of Leading Century is the "Joli Profit Agreement 1" which shares 0.04% of the rolling turnover generated by Joli Entretenimento Sociedade Unipessoal Limitada ("Joli"). The consideration for the acquisition was approximately HK$222,366,000 which represented the cash paid, the fair value of promissory note and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$54,135,000.

The net assets acquired in the transaction and the goodwill arising is as follows:

| | Acquiree's carrying amounts | Fair value adjustment | Fair values |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Net assets acquired:** | | | |
| Right in sharing of profit streams | – | 168,236 | 168,236 |
| Other payables | (5) | – | (5) |
| | (5) | 168,236 | 168,231 |
| Goodwill *(Note 19)* | | | 54,135 |
| | | | 222,366 |

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

### For the year ended 31 March 2009 (Continued)

(a) (Continued)

| | HK$'000 |
|---|---|
| **Total consideration satisfied by:** | |
| Cash consideration | 30,720 |
| Fair value of promissory note | 47,484 |
| Fair value of consideration shares | 143,360 |
| Acquisition related costs | 802 |
| | 222,366 |
| **Net cash outflow arising on acquisition:** | |
| Cash consideration | (31,522) |

*Notes:*

(i) The contracted value of the acquisition was HK$224,320,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK$1,954,000.

(ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$0.64 at the date of acquisition and 224,000,000 shares.

(iii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Leading Century. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Leading Century. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) During the year ended 31 March 2009, Leading Century contributed approximately HK$32,895,000 to the Group's turnover and profit for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group revenue for the year would have been approximately HK$444,140,000 and loss for the year attributable to equity holders of the Company would have been approximately HK$572,724,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

(v) In relation to the acquisition of Leading Century from Multi Fit, Team Jade, Mr. Sin Chun Shing, Joli entered into the Joli Profit Agreement 1. Pursuant to the Joli Profit Agreement 1, Mr. Sin Chun Shing has irrevocably and unconditionally guaranteed to Leading Century that (i) the profit for the period from 1 May 2008 to 31 July 2008 ("Joli 1 Guarantee Period I") shall not be less than HK$12,000,000; (ii) the profit for the period from 1 August 2008 to 31 October 2008 ("Joli 1 Guarantee Period II") shall not be less than HK$12,000,000; (iii) the profit for the period from 1 November 2008 to 31 January 2009 ("Joli 1 Guarantee Period III") shall not be less than HK$12,000,000; and (iv) the profit for the period from 1 February 2009 to 30 April 2009 ("Joli 1 Guarantee Period IV") shall not be less than HK$12,000,000. In the event the profit guarantee is not achieved, Team Jade shall instruct the escrow agent to deduct the relevant shortfall from the outstanding sum payable under promissory note.

At the end of Joli 1 Guarantee Period I, Joli 1 Guarantee Period II, Joli 1 Guarantee Period III and Joli 1 Guarantee Period IV, the actual profit received and/or receivable by Leading Century was approximately HK$40,134,000 and therefore, amount of shortfall approximately HK$7,866,000 is recognised and such amount was deducted from the goodwill arising in Leading Century.

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

**For the year ended 31 March 2009** (Continued)

(b) On 6 November 2008, Team Jade acquired the entire issued share capital of East & West as to 70% from Multi Fit and as to 30% from Pacific Rainbow Holdings Limited ("Pacific Rainbow"). The major asset of East & West is the "Joli Profit Agreement 2" which shares 0.32% of the rolling turnover generated by Joli. The consideration for the acquisition was approximately HK$1,279,707,000 which represented the cash paid and the fair value of convertible bonds as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$377,323,000.

The net assets acquired in the transaction and the goodwill arising is as follows:

| | Acquiree's carrying amounts | Fair value adjustment | Fair values |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Net assets acquired:** | | | |
| Right in sharing of profit streams | – | 902,389 | 902,389 |
| Other payables | (5) | – | (5) |
| | (5) | 902,389 | 902,384 |
| Goodwill *(Note 19)* | | | 377,323 |
| | | | 1,279,707 |

| | *HK$'000* |
|---|---|
| **Total consideration satisfied by:** | |
| Cash consideration | 500,000 |
| Fair value of convertible bonds | 778,730 |
| Acquisition related costs | 977 |
| | 1,279,707 |
| **Net cash outflow arising on acquisition:** | |
| Cash consideration | (500,977) |

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

### For the year ended 31 March 2009 (Continued)

(b) (Continued)

*Notes:*

(i) The contracted value of the acquisition was HK$1,794,560,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK$514,853,000.

(ii) The fair value of the convertible bonds issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Grant Sherman, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model and the present value of the estimated future cash outflows discounted of the prevailing market rate for an equivalent non-convertible loan at the date of acquisition.

(iii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire East & West. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of East & West. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) During the year ended 31 March 2009, East & West contributed approximately HK$109,195,000 to the Group's turnover and profit for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group revenue for the year would have been approximately HK$498,446,000 and loss for the year attributable to equity holders of the Company would have been approximately HK$518,418,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

(v) In relation to the acquisition of East & West from Multi Fit and Pacific Rainbow, Team Jade, Mr. Sin Chun Shing, Mr. Chen Yi-Ming, Joli entered into the Joli Profit Agreement 2. Pursuant to the Joli Profit Agreement 2, Mr. Sin Chun Shing and Mr. Chen Yi-Ming has irrevocably and unconditionally guaranteed to East & West that (i) the profit for the period from 1 September 2008 to 31 August 2009 ("Joli 2 Guarantee Period") shall not be less than HK$384,000,000. In the event the profit guarantee is not achieved, the consideration for the acquisition would be adjusted by 4.67 times of the amount of shortfall. The adjustment shall be initially deducted from the Fifth Convertible Bond I and Fifth Convertible Bond II. In the event that the Fifth Convertible Bond I and Fifth Convertible Bond II are insufficient to settle the adjustment. Mr. Sin Chun Shing and Mr. Chen Yi-Ming have undertaken to pay the balance in cash.

The directors considered that it is not probable to estimate the results for Joli 2 Guarantee Period at the date of approval of these financial statements, and no adjustment to total consideration was made.

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

**For the year ended 31 March 2009** (Continued)

(c) On 6 November 2008, Team Jade acquired the entire issued share capital of Pacific Force from Pacific Rainbow. The major asset of Pacific Force is the "Joli Profit Agreement 3" which shares 0.04% of the rolling turnover generated by Joli. The consideration for the acquisition was approximately HK$118,085,000 which represented the fair value of consideration shares and convertible bonds as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$5,291,000.

The net assets acquired in the transaction and the goodwill arising is as follows:

| | Acquiree's carrying amounts | Fair value adjustment | Fair values |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Net assets acquired:** | | | |
| Right in sharing of profit streams | – | 112,799 | 112,799 |
| Other payables | (5) | – | (5) |
| | (5) | 112,799 | 112,794 |
| Goodwill *(Note 19)* | | | 5,291 |
| | | | 118,085 |

| | |
|---|---|
| | *HK$'000* |
| **Total consideration satisfied by:** | |
| Fair value of consideration shares | 4,626 |
| Fair value of convertible bonds | 112,482 |
| Acquisition related costs | 977 |
| | 118,085 |
| **Net cash outflow arising on acquisition:** | |
| Cash consideration | (977) |

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

### For the year ended 31 March 2009 (Continued)

(c) (Continued)

*Notes:*

(i) The contracted value of the acquisition was HK$224,320,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK$106,235,000.

(ii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$0.057 at the date of acquisition and approximately 81,152,000 shares.

(iii) The fair value of the convertible bonds issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Grant Sherman, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model and the present value of the estimated future cash outflows discounted of the prevailing market rate for an equivalent non-convertible loan at the date of acquisition.

(iv) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Pacific Force. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Pacific Force. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(v) During the year ended 31 March 2009, Pacific Force contributed approximately HK$13,649,000 to the Group's turnover and profit for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group revenue for the year would have been approximately HK$447,061,000 and loss for the year attributable to equity holders of the Company would have been approximately HK$569,803,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

(vi) In relation to the acquisition of Pacific Force from Pacific Rainbow, Team Jade, Mr. Sin Chun Shing, Joli entered into the Joli Profit Agreement 3. Pursuant to the Joli Profit Agreement 3, Mr. Sin Chun Shing has irrevocably and unconditionally guaranteed to Pacific Force that (i) the profit for the period from 1 September 2008 to 31 August 2009 ("Joli 3 Guarantee Period") shall not be less than HK$48,000,000. In the event the profit guarantee is not achieved, the consideration for the acquisition would be adjusted by 4.67 times of the amount of shortfall. The adjustment shall be initially deducted from the Fifth Convertible Bond III. In the event that the Fifth Convertible Bond III is insufficient to settle the adjustment. Mr. Sin Chun Shing has undertaken to pay the balance in cash.

The directors considered that it is not probable to estimate the results for Joli 3 Guarantee Period at the date of approval of these financial statements, and no adjustment to total consideration was made.

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 March 2008

(d) On 12 June 2007, Team Jade acquired the entire issued share capital of Richsense from Rich Game Capital Inc.. The major asset of Richsense is its 51% equity interest in Worth Perfect. The consideration for the acquisition was approximately HK$766,572,000 which represented the cash paid, the fair value of convertible bonds and promissory notes and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$152,005,000.

The net assets acquired in the transaction and the goodwill arising is as follows:

| | **Acquiree's carrying amounts** | **Fair value adjustment** | **Fair values** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Net assets acquired:** | | | |
| Right in sharing of profit streams | – | 614,565 | 614,565 |
| Cash and bank balances | 5 | – | 5 |
| Other receivables | 8,731 | – | 8,731 |
| Other payables | (8,734) | – | (8,734) |
| | 2 | 614,565 | 614,567 |
| Goodwill *(Note 19)* | | | 152,005 |
| | | | 766,572 |

| | *HK$'000* |
|---|---|
| **Total consideration satisfied by:** | |
| Cash consideration | 420,789 |
| Fair value of convertible bonds | 136,800 |
| Fair value of promissory notes | 165,259 |
| Fair value of consideration shares | 43,724 |
| | 766,572 |

| | |
|---|---|
| **Net cash outflow arising on acquisition:** | |
| Cash and bank balances acquired | 5 |
| Cash consideration | (420,789) |
| | (420,784) |

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 March 2008 (Continued)

(d) (Continued)

*Notes:*

(i) The contracted value of the acquisition was HK$765,000,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK$1,572,000.

(ii) The fair value of the convertible bonds issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Grant Sherman, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model and the present value of the estimated future cash outflows discounted of the prevailing market rate for an equivalent non-convertible loan at the date of acquisition.

(iii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$2.49 at the date of acquisition and 17,560,000 shares.

(iv) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Richsense. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Richsense. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(v) During the year ended 31 March 2008, Richsense contributed approximately HK$190,667,000 to the Group's turnover and profit for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 April 2007, total Group revenue for the year would have been approximately HK$468,761,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$724,175,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

(e) On 10 December 2007, Team Jade acquired 60% of the total issued share capital of Triple Gain from Power Rush. The consideration for the acquisition was approximately HK$937,451,000 which represented the cash paid, the fair value of convertible bonds and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$40,923,000.

| | **Acquiree's carrying amounts** | **Fair value adjustment** | **Fair values** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Net assets acquired:** | | | |
| Right in sharing of profit streams | – | 1,494,217 | 1,494,217 |
| Cash and bank balances | 1 | – | 1 |
| Other payables | (5) | – | (5) |
| 100% equity interest of Triple Gain | (4) | 1,494,217 | 1,494,213 |
| Acquisition of 60% equity interest in Triple Gain | (2) | 896,530 | 896,528 |
| Goodwill *(Note 19)* | | | 40,923 |
| | | | 937,451 |

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 March 2008 (Continued)

(e) (Continued)

| | HK$'000 |
|---|---|
| **Total consideration satisfied by:** | |
| Cash consideration | 526,710 |
| Fair value of convertible bonds | 275,411 |
| Fair value of consideration shares | 161,250 |
| Adjustment to the total consideration on acquisition *(note vi)* | (25,920) |
| | 937,451 |
| **Net cash outflow arising on acquisition:** | |
| Cash consideration | (526,710) |

*Notes:*

(i) The contracted value of the acquisition was HK$993,600,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK$56,149,000.

(ii) The fair value of the convertible bonds issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Grant Sherman, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model and the present value of the estimated future cash outflows discounted of the prevailing market rate for an equivalent non-convertible loan at the date of acquisition.

(iii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$2.15 at the date of acquisition and 75,000,000 shares.

(iv) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Triple Gain. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Triple Gain. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(v) During the year ended 31 March 2008, Triple Gain contributed approximately HK$45,053,000 to the Group's turnover and profit for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 April 2007, total Group revenue for the year would have been approximately HK$472,956,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$719,981,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 March 2008 (Continued)

(e) (Continued)

*Notes:* (Continued)

(vi) In relation to the acquisition of Triple Gain from Power Rush, the Group, Mr. Chen Yi-Ming, Nove Sociedade Unipessoal Limitada entered into the Nove Profit Agreement. Pursuant to the Nove Profit Agreement, Mr. Chen Yi-Ming has irrevocably and unconditionally guaranteed to Triple Gain that (i) the profit for the period from 28 August 2007 to 31 March 2008 ("First Profit Guarantee") shall not be less than HK$163,000,000; (ii) the profit for the year ending 31 March 2009 ("Second Profit Guarantee") shall not be less than HK$304,000,000; and (iii) the profit for the period from 1 April 2009 to 27 August 2009 ("Third Profit Guarantee") shall not be less than HK$133,000,000. In the event the profit guarantee is not achieved, Mr. Chen Yi-Ming has undertaken to pay to Triple Gain the difference between the actual profit received and/or receivable by Triple Gain and the guaranteed profit for the same period.

At the end of First Profit Guarantee, the actual profit received and/or receivable by Triple Gain at 31 March 2008 was approximately HK$137,080,000 and therefore, a receivable of approximately HK$25,920,000 is recognised and such amount was deducted from the investment cost in Triple Gain.

At the end of Second Profit Guarantee, the actual profit received and/or receivable by Triple Gain at 31 March 2009 was approximately HK$101,869,000 and therefore, amount of approximately 202,131,000 is recognised and such amount was deducted from the investment cost in Triple Gain and hence recorded as excess of acquiree's interest in fair value of acquiree's identifiable net asset over cost in the consolidated income statement.

The financial results of Triple Gain for the period of Third Profit Guarantee would affect the total consideration for the acquisition of Triple Gain. The directors considered that it is not probable to estimate the results for the period of Third Profit Guarantee at the date of approval of these financial statements and no adjustment to total consideration was made.

(f) On 18 December 2007, Team Jade acquired the remaining 40% of the total issued share capital of Triple Gain from Power Rush. The consideration for the acquisition was approximately HK$769,545,000 which represented the call option exercised, the cash paid, the fair value of convertible bonds and consideration shares as at the date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$169,481,000.

| | Acquiree's carrying amounts | Fair value adjustment | Fair values |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Net assets acquired:** | | | |
| Right in sharing of profit streams | – | 1,495,275 | 1,495,275 |
| Other receivables | 4,889 | – | 4,889 |
| Cash and bank balances | 1 | – | 1 |
| Other payables | (5) | – | (5) |
| 100% equity interest of Triple Gain | 4,885 | 1,495,275 | 1,500,160 |
| Acquisition of 40% equity interest in Triple Gain | 1,954 | 598,110 | 600,064 |
| Goodwill *(Note 19)* | | | 169,481 |
| | | | 769,545 |

## 32. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the year ended 31 March 2008 (Continued)

(f) (Continued)

| | HK$'000 |
|---|---|
| **Total consideration satisfied by:** | |
| Cash consideration | 448,400 |
| Fair value of convertible bonds | 249,945 |
| Fair value of consideration shares | 71,200 |
| | 769,545 |
| **Net cash outflow arising on acquisition:** | |
| Cash consideration | (448,400) |

*Notes:*

(i) The contracted value of the acquisition was HK$806,400,000 and the difference between the fair value and the contracted value of consideration paid was approximately HK$36,855,000.

(ii) The fair value of the convertible bonds issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by Grant Sherman, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to Binomial option pricing model and the present value of the estimated future cash outflows discounted of the prevailing market rate for an equivalent non-convertible loan at the date of acquisition.

(iii) The fair value of the consideration shares determined based on the quoted closing price of the Company's share of HK$1.78 at the date of acquisition and 40,000,000 shares.

(iv) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Triple Gain. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Triple Gain. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(v) During the year ended 31 March 2008, Triple Gain contributed approximately HK$45,053,000 to the Group's turnover and profit for the period from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 April 2007, total Group revenue for the year would have been approximately HK$456,892,000, and loss for the year attributable to equity holders of the Company would have been approximately HK$736,044,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

## 33. DISPOSAL OF SUBSIDIARIES

### For the year ended 31 March 2009

On 10 March 2009, the Group entered into sale and purchases agreement to dispose of its 100% equity interest in Triple Triumphe (International) Co., Ltd. ("Triple Triumphe") and Peppy Score Group Limited ("Peppy Score") to an independent third party for cash consideration of HK$10,000,000. Both Triple Triumphe and Peppy Score are investment holding company.

Triumph Bright International Limited ("Triumph Bright") is owned as to 50% and 50% by Triple Triumphe and Peppy Score respectively. The main asset of Triumph Bright is a piece of leasehold land in Hong Kong.

The net assets at the date of disposal were as follows:

Net assets disposed of:

| | **2009** |
|---|---|
| | ***HK$000*** |
| Investment property *(Note 18)* | **10,760** |
| Deferred tax liabilities *(Note 29)* | **(92)** |
| | **10,668** |
| Loss on disposal of subsidiaries | **(668)** |
| Total consideration, satisfied by cash | **10,000** |
| Net cash inflow arising on disposal | **10,000** |

## 33. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 March 2008 (Continued)

On 8 May 2007, the Group entered into sale and purchases agreement to dispose of its 100% equity interest in LFP Engineering Limited ("LFP") to an independent third party for a cash consideration of HK$100.

The Group discontinued its construction business operations at the time of disposal of LFP. The net assets of LFP at the date of disposal were as follows:

Net assets disposed of:

| | 2008 |
|---|---|
| | *HK$000* |
| Cash and bank balances | 45 |
| Deposits and other receivables | 9 |
| Accounts payable | (893) |
| Other payables and accruals | (134) |
| | (973) |
| Gain on disposal of subsidiaries from discontinued operation *(Note 11)* | 973 |
| | – |
| Cash and bank balances disposed of | 45 |

## 34. NON-CASH TRANSACTIONS

The considerations for the acquisitions of the entire issued share capital of Leading Century, East & West and Pacific Force during the year ended 31 March 2009 comprised of issuance of consideration shares, Fourth Promissory Note and Fifth Convertible Bonds as disclosed in Notes 30, 27 and 28 to the financial statements respectively.

The settlement of shortfall in respect of profit guarantees under the Nove Profit Agreement, the Dore Profit Agreement, the Sat Ieng Profit Agreement and the Joli Profit Agreement I during the year ended 31 March 2009 is offset against early cancellation of part of Fourth Promissory Note, part of Second Convertible Bond, part of Third Convertible Bond and part of Fourth Convertible Bond as disclosed in Notes 27 and 28 to the financial statements respectively.

The considerations for the acquisitions of the entire issued share capital of Richsense and Triple Gain during the year ended 31 March 2008 comprised of issuance of consideration shares, Third Promissory Notes, Second Convertible Bond, Third Convertible Bond and Fourth Convertible Bond as disclosed in Notes 30, 27 and 28 to the financial statements respectively.

## 35. SHARE-BASED PAYMENT TRANSACTIONS

During the year ended 31 March 2009, the Company did not grant any options under the Scheme of the Company. During the year ended 31 March 2008, the Company had granted 179,604,000 options to employees and consultants under the Scheme of the Company as disclosed in Note 30(b) to the financial statements.

At 31 March 2009, no share options remained outstanding as all share options granted in prior years were expired during the year. At 31 March 2008, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 30,416,000, representing 2.2% of the shares of the Company in issue at that date.

## 35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

| Participants | Share option type | Number of share options: Outstanding at 1 April 2008 '000 | Granted during the year '000 | Exercised during the year '000 | Forfeited during the year '000 | Expired during the year '000 | Outstanding at 31 March 2009 '000 | Date of grant of share options | Exercise period of share options | Exercise price of share options HK$ per share | Fair value at grant date HK$ per share | Closing price of the Company's shares immediately before the grant date HK$ per share |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consultants | 2008C | 29,200 | – | – | – | (29,200 ) | – | 20 November 2007 | 20 November 2007 to 19 November 2008 | 23.62 | 5.172 | 24.5 |
| Employees and Consultants | 2008E | 1,216 | – | – | – | (1,216 ) | – | 22 February 2008 | 22 February 2008 to 21 February 2009 | 11.5 | 2.991 | 11.6 |
| | | 30,416 | – | – | – | (30,416 ) | – | | | | | |

| Participants | Share option type | Number of share options: Outstanding at 1 April 2007 '000 | Granted during the year '000 | Exercised during the year '000 | Forfeited during the year '000 | Expired during the year '000 | Outstanding at 31 March 2008 '000 | Date of grant of share options | Exercise period of share options | Exercise price of share options HK$ per share | Fair value at grant date HK$ per share | Closing price of the Company's shares immediately before the grant date HK$ per share |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Employees and Consultants | 2008A | – | 67,200 | (67,200 ) | – | – | – | 14 May 2007 | 14 May 2007 to 13 May 2008 | 19.98 | 4.439 | 20.2 |
| Consultants | 2008B | – | 7,220 | (7,220 ) | – | – | – | 19 November 2007 | 19 November 2007 to 18 November 2008 | 24.5 | 5.662 | 25.5 |
| Consultants | 2008C | – | 29,200 | – | – | – | 29,200 | 20 November 2007 | 20 November 2007 to 19 November 2008 | 23.62 | 5.172 | 24.5 |
| Consultants | 2008D | – | 34,872 | (34,872 ) | – | – | – | 18 February 2008 | 18 February 2008 to 17 February 2009 | 11.3 | 2.560 | 10.9 |
| Employees and Consultants | 2008E | – | 41,112 | (39,896 ) | – | – | 1,216 | 22 February 2008 | 22 February 2008 to 21 February 2009 | 11.5 | 2.991 | 11.6 |
| | | – | 179,604 | (149,188 ) | – | – | 30,416 | | | | | |

## 35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value of the share options granted during the year ended 31 March 2008 were priced using a Binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price volatility over previous 1 year.

Inputs into the model:

| | Share option type | | | | |
|---|---|---|---|---|---|
| | **2008A** | **2008B** | **2008C** | **2008D** | **2008E** |
| Grant date share price | 19.70 | 24.5 | 23.30 | 10.8 | 11.5 |
| Exercise price | 19.98 | 24.5 | 23.62 | 11.3 | 11.5 |
| Expected volatility | 59.43% | 62.33% | 61.60% | 75.49% | 76.35% |
| Option life | 1 year | 1 year | 1 year | 1 year | 1 year |
| Dividend yield | 0% | 0.8% | 0.9% | 3.2% | 3.0% |
| Risk-free interest rate | 3.88% | 1.93% | 1.85% | 1.85% | 1.85% |

## 35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following share options granted under the Scheme were exercised during the year ended 31 March 2008:

| Share option type | Number exercised | Exercise date | Share price at exercise date | Weighted average closing price of the Company's shares immediately before the exercise date |
|---|---|---|---|---|
| | *'000* | | *HK$* | *HK$* |
| 2008A | 2,000 | 29 May 2007 | 23.1 | 25.10 |
| 2008A | 8,780 | 12 June 2007 | 24.7 | 25.60 |
| 2008A | 8,780 | 13 June 2007 | 24.6 | 25.32 |
| 2008A | 4,000 | 13 June 2007 | 24.6 | 25.32 |
| 2008A | 2,870 | 18 June 2007 | 24.8 | 24.98 |
| 2008A | 8,780 | 18 June 2007 | 24.8 | 24.98 |
| 2008A | 2,870 | 18 June 2007 | 24.8 | 24.98 |
| 2008A | 8,780 | 18 June 2007 | 24.8 | 24.98 |
| 2008A | 8,780 | 21 June 2007 | 25.0 | 25.06 |
| 2008A | 2,780 | 25 June 2007 | 26.0 | 25.22 |
| 2008A | 8,780 | 25 June 2007 | 26.0 | 25.22 |
| 2008B | 2,910 | 20 November 2007 | 23.3 | 23.62 |
| 2008B | 1,400 | 20 November 2007 | 23.3 | 23.62 |
| 2008B | 2,910 | 20 November 2007 | 23.3 | 23.62 |
| 2008D | 1,216 | 26 February 2008 | 11.0 | 11.74 |
| 2008D | 2,456 | 26 February 2008 | 11.0 | 11.74 |
| 2008D | 4,128 | 26 February 2008 | 11.0 | 11.74 |
| 2008D | 4,128 | 26 February 2008 | 11.0 | 11.74 |
| 2008D | 8,776 | 26 February 2008 | 11.0 | 11.74 |
| 2008D | 10,040 | 27 February 2008 | 11.0 | 11.52 |
| 2008D | 4,128 | 27 February 2008 | 11.0 | 11.52 |
| 2008E | 12,900 | 27 February 2008 | 11.0 | 11.52 |
| 2008E | 10,040 | 27 February 2008 | 11.0 | 11.52 |
| 2008E | 4,133 | 27 February 2008 | 11.0 | 11.52 |
| 2008E | 12,823 | 27 February 2008 | 11.0 | 11.52 |
| | 149,188 | | | |

## 36. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Leases for the properties are negotiated for terms of three years.

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

**The Group**

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,097** | 1,006 |
| In the second to fifth years inclusive | **2,286** | 91 |
| | **3,383** | 1,097 |

## 37. COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 March 2009 (2008: Nil).

## 38. CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 March 2009 (2008: Nil).

## 39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the years ended 31 March 2009 and 2008, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 12 and 13 to the financial statements, is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and allowance | **1,193** | 1,650 |
| Pension scheme contributions | **28** | 36 |
| | **1,221** | 1,686 |

## 40. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries are as follows:

| Company name | Place of incorporation and operations | Nominal value of issued and paid-up capital | Percentage of equity interest attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| Giant Gold Investments Limited | British Virgin Islands | US$1 Ordinary | 100 | – | Investment holding |
| Maxgold Far East Limited | British Virgin Islands/ Hong Kong | US$1 Ordinary | 100 | – | Investment holding |
| Profitown Venture Corporation | British Virgin Islands | US$200 Ordinary | 100 | – | Investment holding |
| Team Jade Enterprises Limited | British Virgin Islands | US$1 | 100 | – | Investment holding |
| East & West International Inc. *(note 1)* | British Virgin Islands | US$10 Ordinary | – | 100 | Receive profit streams from gaming and entertainment related business |
| Leading Century International Limited *(note 2)* | British Virgin Islands | US$1 Ordinary | – | 100 | Receive profit streams from gaming and entertainment related business |
| MFT Epping Trading Limited | British Virgin Islands/ The Republic of Congo | US$1 Ordinary | – | 100 | Trading of timber logs |
| Pacific Force Inc. *(note 1)* | British Virgin Islands | US$1 Ordinary | – | 100 | Receive profit streams from gaming and entertainment related business |
| Richsense Limited | British Virgin Islands | US$100 Ordinary | – | 100 | Investment holding |

## 40. PARTICULARS OF THE SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows: (Continued)

| Company name | Place of incorporation and operations | Nominal value of issued and paid-up capital | Percentage of equity interest attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| Triple Gain Group Limited | British Virgin Islands | US$100 Ordinary | – | 100 | Receive profit streams from gaming and entertainment related business |
| Top Jade Limited | Hong Kong | HK$2 Ordinary | – | 100 | Investment holding |
| Worth Perfect International Limited | British Virgin Islands | US$100 Ordinary | – | 100 | Receive profit streams from gaming and entertainment related business |
| Youngrich Limited | British Virgin Islands | US$100 Ordinary | – | 100 | Investment holding |
| Triumph Bright International Ltd. *(note 3)* | Hong Kong | HK$2 Ordinary | – | – | Investment holding |
| Triple Triumphe (International) Co., Ltd. *(note 4)* | Hong Kong | HK$1 Ordinary | – | – | Investment holding |
| Peppy Score Group Limited *(note 4)* | Hong Kong | HK$1 Ordinary | – | – | Investment holding |

*Notes:*

1. East & West and Pacific Force were acquired on 6 November 2008.

2. Leading Century was acquired on 20 May 2008.

3. Triumph Bright was restructured to be an indirect subsidiary of the Company on 22 January 2009 and disposed of on 10 March 2009.

4. Triple Triumphe and Peppy Score were incorporated on 5 January 2009 and disposed of on 10 March 2009.

## 41. SUBSEQUENT EVENTS

(i) On 23 March 2009, Team Jade entered into a conditional sale and purchase agreement with Rich Game to sell (i) the entire issued share capital of Richsense; (ii) the entire issued share capital of Youngrich, at an initial consideration of HK$500,000,000. The consideration is satisfied by (i) paying approximately HK$7,093,000 in cash; (ii) offsetting against the outstanding principal amount of First Promissory Notes, Third Promissory Notes, First Convertible Bond and Second Convertible Bond. The initial consideration would be adjusted according to the valuation of Worth Perfect as at 31 March 2009. If the valuation of Worth Perfect as at 31 March 2009 exceeds HK$500 million, Rich Game shall pay to Team Jade in cash of the difference between the value of Worth Perfect as at 31 March 2009 and HK$500 million. As at 31 March 2009, the value of Worth Perfect was approximately HK$509,461,000 and hence additional amount of approximately HK$9,461,000 would be receivable from Rich Game. For further details, please refer to the Company's announcement dated 1 April 2009.

The above transaction constitutes connected transaction under the Listing Rules.

(ii) On 1 June 2009, the Company announced that the directors propose to implement the capital reorganisation which will involve:

(a) the share subdivision whereby each of the authorised but unissued shares of HK$1.00 each will be subdivided into 100 new shares of HK$0.01 each.

(b) the capital reduction whereby the nominal value of each of the issued shares of HK$1.00 will be reduced to HK$0.01 by canceling the paid-up capital to the extent of HK$0.99 on each issued share;

(c) the share premium cancellation whereby the entire amount of approximately HK$348,854,000 standing to the credit of the share premium account of the Company as at 31 March 2009 will be cancelled. The credit amount arising from the share premium cancellation will be applied to the contributed surplus account of the Company where it will be utilised by the board of directors in accordance with the bye-laws of the Company and all applicable laws, including to eliminate the accumulated losses of the Company of approximately HK$580,173,000 as at 31 March 2009.

(iii) The directors recommend a final dividend of HK2.0 cents per share for the year ended 31 March 2009, subject to shareholder's approval on the capital reorganisation as announced by the Company on 1 June 2009.

The dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(iv) On 4 June 2009, the Company entered into a placing agreement to place 600,000,000 placing shares by a maximum of six tranches to not fewer than six independent investors at a price of HK$0.3 per placing share. The proceeds from the placing would be used for financing possible diversified investment which has not yet been identified and general working capital of the Group. For details, please refer to the Company's announcement dated 4 June 2009.

## 42. COMPARATIVE

Certain comparative amounts have been reclassified to conform with the current year's presentation.

## 43. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 1 June 2009.

# Investment Property

Particulars of investment property disposed on 10 March 2009 are as follows:

| Address | Existing use | Category of lease |
|---|---|---|
| Section A and B of<br>Lot No. 391 in<br>Demarcation District<br>No. 131,<br>Tuen Mun District,<br>New Territories,<br>Hong Kong | Commercial | Long-term lease |

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Results** | | | | | |
| Turnover (including discontinued operation) | **439,720** | 418,910 | 6,353 | 10,645 | 67,090 |
| (Loss)/profit for the year attributable to: | | | | | |
| – Equity holders of the Company | **(577,144)** | (775,976) | 21,088 | (15,307) | (11,603) |
| – Minority interests | **–** | 1,951 | – | – | – |
| | **(577,144)** | (774,025) | 21,088 | (15,307) | (11,603) |
| Dividends | **31,648** | 117,527 | 17,911 | – | – |

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Assets and liabilities** | | | | | |
| Total assets | **2,719,622** | 2,295,064 | 976,796 | 47,322 | 66,022 |
| Total liabilities | **(1,878,360)** | (1,109,997) | (381,850) | (2,208) | (5,601) |
| Total equity | **841,262** | 1,185,067 | 594,946 | 45,114 | 60,421 |